

Martinsville, Virginia
A CITY WITHOUT LIMITS



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

PREPARED BY:

Finance Department

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Title Page	1
Table of Contents	3-6
Directory of Principal Officials	7
Organizational Chart	9
FINANCIAL SECTION	
Independent Auditors' Report	11-13
Management's Discussion and Analysis	15-26
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	31
Exhibit 2 Statement of Activities	32-33
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	36
Exhibit 4 Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	37
Exhibit 5 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities—Governmental Funds	38
Exhibit 6 Statement of Net Position—Proprietary Funds	39
Exhibit 7 Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds	40
Exhibit 8 Statement of Cash Flows—Proprietary Funds	41
Exhibit 9 Statement of Fiduciary Net Position—Agency Funds	42
Notes to Financial Statements	43-106

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS (CONTINUED)

	Page	
FINANCIAL SECTION: (CONTINUED)		
<u>Required Supplementary Information:</u>		
Exhibit 10	Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—General Fund	109
Exhibit 11	Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Meals Tax Fund	110
Exhibit 12	Schedule of Employer's Proportionate Share of the Net Pension Liability	111
Exhibit 13	Schedule of Components of and Changes in Net Pension Liability and Related Ratios—Component Unit School Board (nonprofessional)	112
Exhibit 14	Schedule of Employer Contributions	113
Exhibit 15	Schedule of OPEB Funding Progress	114
Exhibit 16	Notes to Required Supplementary Information	115
<u>Other Supplementary Information:</u>		
Combining and Individual Funds Statements and Schedules:		
Exhibit 17	Combining Balance Sheet—Nonmajor Governmental Funds	121
Exhibit 18	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	122-123
Exhibit 19	Schedule of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds—Budget and Actual	124
Exhibit 20	Combining Statement of Fiduciary Net Position—Agency Funds	125
Exhibit 21	Combining Statement of Changes in Assets and Liabilities—Agency Funds	126
Discretely Presented Component Unit—School Board:		
Exhibit 22	Combining Balance Sheet	129
Exhibit 23	Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	130

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS (CONTINUED)

	Page
FINANCIAL SECTION: (CONTINUED)	
<u>Other Supplementary Information: (Continued)</u>	
Discretely Presented Component Unit—School Board:	
Exhibit 24 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	131
Exhibit 25 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual	132-133
Supporting Schedules:	
Schedule 1 Governmental Funds and Discretely Presented Component Unit-School Board—Schedule of Revenues—Budget and Actual	137-144
Schedule 2 Governmental Funds and Discretely Presented Component Unit-School Board—Schedule of Expenditures—Budget and Actual	145-150
STATISTICAL SECTION:	
<u>Statistical Tables:</u>	
Table 1 Net Position by Component	153
Table 2 Changes in Net Position	154-155
Table 3 Level of Unrestricted Net Position	156
Table 4 Governmental Activities Tax Revenues by Source—(Accrual Basis of Accounting)	157
Table 5 Fund Balances of Governmental Funds	158-159
Table 6 Fund Balance Summary	161
Table 7 Changes in Fund Balances of Governmental Funds	162-163
Table 8 Level of Unreserved/Unassigned Fund Balance	164
Table 9 Governmental Activities Tax Revenues by Source—(Modified Accrual Basis of Accounting)	165

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
TABLE OF CONTENTS (CONTINUED)

	Page
STATISTICAL SECTION: (CONTINUED)	
<u>Statistical Tables:</u>	
Table 10 Local Sales Tax Growth	166
Table 11 Utility Analysis of Unrestricted Net Position	167
Table 12 Assessed Value of Taxable Property and Tax Rates	168-169
Table 13 Property Tax Levies and Collections	170-171
Table 14 Ratios of Outstanding Debt by Type	172-173
Table 15 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	175
Table 16 Computation of Direct and Overlapping Bonded Debt	176
Table 17 Expenditures Per Capita Ratios	177
Table 18 Demographic and Economic Statistics	178
Table 19 Full-time Equivalent City Government Employees by Function	179
Table 20 Operating Indicators by Function	180-181
Table 21 Capital Asset Statistics by Function	182
 COMPLIANCE SECTION:	
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 <i>Government Auditing Standards</i>	183-184
Independent Auditors' Report on Compliance For Each Major Program and Internal Control over Compliance Required by OMB Circular A-133	185-186
Schedule of Expenditures of Federal Awards	187-188
Notes to Schedule of Expenditures of Federal Awards	189
Schedule of Findings and Questioned Costs	190

CITY OF MARTINSVILLE, VIRGINIA

City Council

Danny Turner, Mayor
Jennifer Bowles, Vice-Mayor

Sharon B. Hodge

Mark C. Stroud, Sr.

M. Gene Teague

School Board

Robert Williams, Chairman
Carolyn McCraw, Vice-Chairman

Craig B. Dietrich

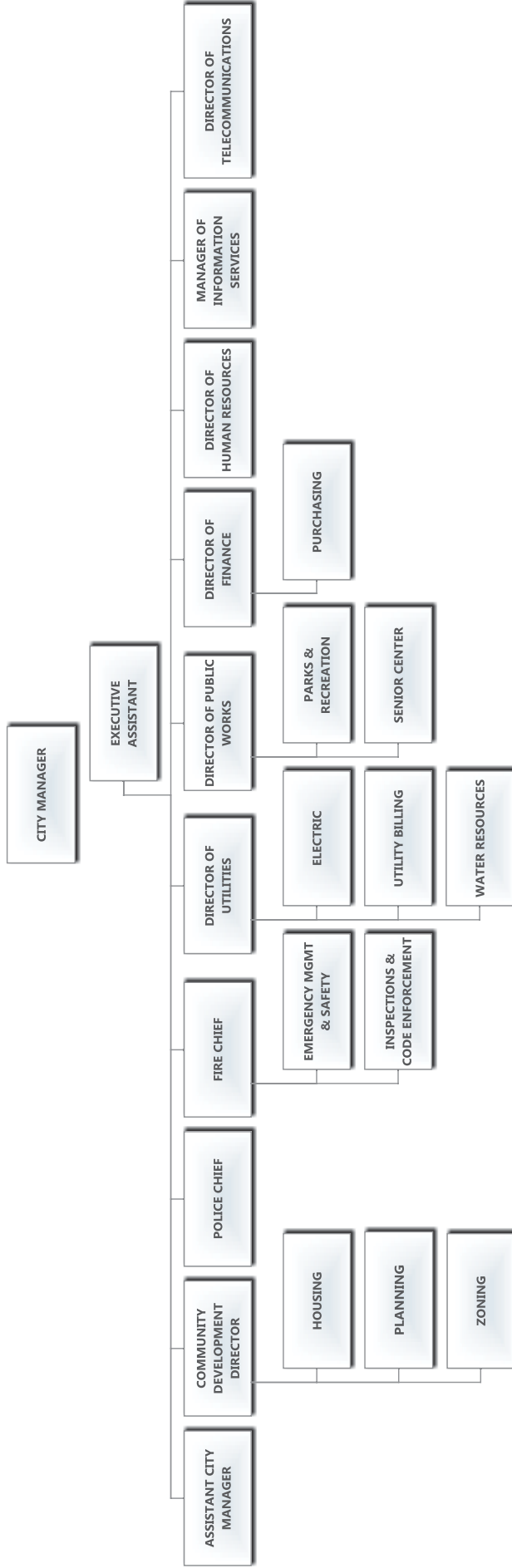
Rives Coleman

Victor Correa

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 Sean Dunn
Superintendent of Schools Pamela V. Heath
Clerk of the School Board Janie Fulcher
Director of Finance Linda H. Conover
Sheriff Steve M. Draper
Commonwealth's Attorney Harry "Clay" Gravely
Public Works Department Director Jeff Joyce
Utilities Director Dennis Bowles
Purchasing Agent Karen H. Mays
Fire Chief Kenneth Draper

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Independent Auditors' Report

**To The Honorable Members of City Council
City of Martinsville
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 City of Martinsville, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. 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 of pension and OPEB funding progress on pages 15-26, 109-110, and 111-115 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.

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Other Matters (Continued)

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 27, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Martinsville, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 27, 2015

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Management's Discussion and Analysis

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, 2015. 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

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$28,632,454 (total net position). Of this amount \$1,389,385 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The Governmental activities net position was \$3,592,379 of the City's total, a decrease of \$16,754,191 or 82.4% in comparison with net position of \$20,346,570 at June 30, 2014.
- Net position of the City's various business type activities totaled \$25,040,075. This is a decrease of \$2,343,902 or 8.6% compared with net position of \$27,383,977 reported on June 30, 2014.

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources deficient of expenditures and other financing uses by \$756,970 (Exhibit 4) after making direct contributions totaling \$6,438,424 to the School Board. An additional \$1,366,619 was expended from the Meals Tax Fund used to retire School related debt. A total of \$7,805,043 was expended on School activities from Governmental Funds.

- At the close of the current fiscal year, the City's Governmental funds reported ending fund balances of \$8,698,024, which is a decrease of \$756,970 in comparison with the prior fiscal year.
- At the close of the current fiscal year, the unassigned fund balance for the General Fund was \$4,122,660 or 13.4% of total general fund expenditures.
- The combined long-term Governmental obligations decreased \$6,582,133 or 15.8% during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

The City has two major governmental funds - the *General Fund and the Meals Tax Fund*. The City has three funds considered Non-major funds. These are the Community Development Block Grant Fund (CDBG), the Housing Choice Fund and the Capital Reserve Fund. For reporting purposes, the CDBG Fund is called the City Grants Fund. The City Grants Fund is then combined with the Housing Choice Fund to create the Special Revenue Funds. The Capital Reserve Fund is the Capital Projects Fund. Together the Special Revenue Funds and the Capital Projects Fund comprise the City's Non-major Governmental Funds. Information on these funds is contained in Exhibits seventeen and eighteen. 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 FY2015, (1) assets and deferred outflows of resources exceeded (2) liabilities and deferred inflows of resources by \$28,632,454 at the close of the fiscal year as presented in the Table below. This was a decrease of \$19,098,093 or 40.1% less than the FY2014 closing amount of \$47,730,547.

City of Martinsville, Virginia
Schedule of Assets, Liabilities and Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2015 and 2014

	Governmental		Business-type		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 12,647,700	\$ 13,996,996	\$ 14,320,821	\$ 14,309,912	\$ 26,968,521	\$ 28,306,908
Capital assets	<u>25,904,824</u>	<u>26,620,193</u>	<u>20,228,156</u>	<u>19,432,885</u>	<u>46,132,980</u>	<u>46,053,078</u>
Total assets	\$ 38,552,524	\$ 40,617,189	\$ 34,548,977	\$ 33,742,797	\$ 73,101,501	\$ 74,359,986
Deferred outflows of resources	<u>1,902,569</u>	<u>-</u>	<u>388,394</u>	<u>-</u>	<u>2,290,963</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 40,455,093</u>	<u>\$ 40,617,189</u>	<u>\$ 34,937,371</u>	<u>\$ 33,742,797</u>	<u>\$ 75,392,464</u>	<u>\$ 74,359,986</u>
Long-term liabilities outstanding	\$ 30,297,008	\$ 16,695,839	\$ 8,093,759	\$ 5,051,758	\$ 38,390,767	\$ 21,747,597
Current liabilities	<u>3,089,975</u>	<u>3,526,139</u>	<u>1,044,906</u>	<u>1,307,062</u>	<u>4,134,881</u>	<u>4,833,201</u>
Total liabilities	\$ 33,386,983	\$ 20,221,978	\$ 9,138,665	\$ 6,358,820	\$ 42,525,648	\$ 26,580,798
Deferred inflows of resources	<u>\$ 3,475,731</u>	<u>\$ 48,641</u>	<u>\$ 758,631</u>	<u>\$ -</u>	<u>\$ 4,234,362</u>	<u>\$ 48,641</u>
Net position:						
Net investment in capital assets	\$ 8,309,912	\$ 9,025,281	\$ 18,933,157	\$ 17,998,885	\$ 27,243,069	\$ 27,024,166
Unrestricted	<u>(4,717,533)</u>	<u>11,321,289</u>	<u>6,106,918</u>	<u>9,385,092</u>	<u>1,389,385</u>	<u>20,706,381</u>
Total net position	<u>\$ 3,592,379</u>	<u>\$ 20,346,570</u>	<u>\$ 25,040,075</u>	<u>\$ 27,383,977</u>	<u>\$ 28,632,454</u>	<u>\$ 47,730,547</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 40,455,093</u>	<u>\$ 40,617,189</u>	<u>\$ 34,937,371</u>	<u>\$ 33,742,797</u>	<u>\$ 75,392,464</u>	<u>\$ 74,359,986</u>

At the end of FY2015, the City's net investment in capital assets is \$27,243,069 and represents 95.2% of total net position. 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 \$8,309,912.

Restricted Assets represent resources subject to external restrictions on how they may be used. At June 30, 2015, the City had no restricted cash and cash equivalents. The unrestricted net position in the amount of \$1,389,385 or 4.9% of total net position may be used to meet the government's ongoing obligations.

Government-wide Financial Analysis (Continued)

Governmental Activities - Governmental activities increased Martinsville City's net position by \$348,871. The key elements of this increase are found in exhibit 5.

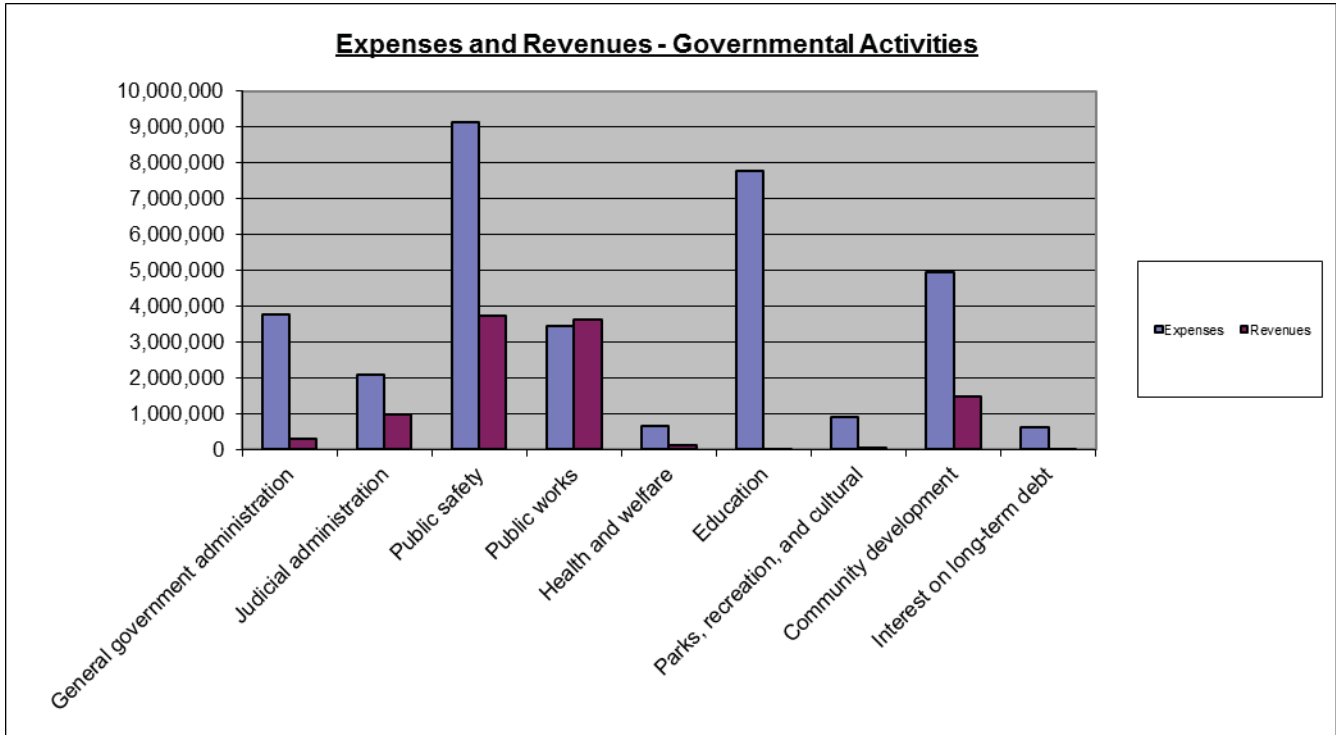
City of Martinsville, Virginia
Changes in Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2015 and 2014

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,229,170	\$ 955,770	\$ 27,061,525	\$ 26,386,686	\$ 28,290,695	\$ 27,342,456
Operating grants and contributions	9,303,857	11,169,309	-	-	9,303,857	11,169,309
Capital grants and contributions	1,099,371	1,900,918	-	15,894	1,099,371	1,916,812
General revenues:						
General property taxes	8,984,049	9,063,889	-	-	8,984,049	9,063,889
Other local taxes	6,768,313	6,917,566	-	-	6,768,313	6,917,566
Commonwealth non-categorical aid	1,629,988	1,634,436	-	-	1,629,988	1,634,436
Other general revenues	892,959	1,328,734	23,386	25,930	916,345	1,354,664
Total revenues	<u>\$ 29,907,707</u>	<u>\$ 32,970,622</u>	<u>\$ 27,084,911</u>	<u>\$ 26,428,510</u>	<u>\$ 56,992,618</u>	<u>\$ 59,399,132</u>
Expenses:						
General government administration	\$ 3,800,766	\$ 3,652,928	\$ -	\$ -	\$ 3,800,766	\$ 3,652,928
Judicial administration	2,096,773	2,165,263	-	-	2,096,773	2,165,263
Public safety	9,176,453	9,418,417	-	-	9,176,453	9,418,417
Public works	3,456,455	4,265,599	-	-	3,456,455	4,265,599
Health and welfare	674,858	679,779	-	-	674,858	679,779
Education	7,794,188	6,876,345	-	-	7,794,188	6,876,345
Parks, recreation, and cultural	930,080	1,044,516	-	-	930,080	1,044,516
Community development	4,958,922	5,390,512	-	-	4,958,922	5,390,512
Interest on long-term debt	616,888	688,152	-	-	616,888	688,152
Electric	-	-	15,552,584	16,329,938	15,552,584	16,329,938
Water	-	-	1,576,999	1,744,194	1,576,999	1,744,194
Sewer	-	-	3,063,555	3,107,701	3,063,555	3,107,701
Refuse collection/landfill	-	-	1,454,477	1,490,749	1,454,477	1,490,749
Total expenses	<u>\$ 33,505,383</u>	<u>\$ 34,181,511</u>	<u>\$ 21,647,615</u>	<u>\$ 22,672,582</u>	<u>\$ 55,152,998</u>	<u>\$ 56,854,093</u>
Change in net position before transfers	\$ (3,597,676)	\$ (1,210,889)	\$ 5,437,296	\$ 3,755,928	\$ 1,839,620	\$ 2,545,039
Transfers	<u>3,946,547</u>	<u>4,507,601</u>	<u>(3,946,547)</u>	<u>(4,507,601)</u>	-	-
Change in net position	\$ 348,871	\$ 3,296,712	\$ 1,490,749	\$ (751,673)	\$ 1,839,620	\$ 2,545,039
Net position - beginning, as restated	<u>3,243,508</u>	<u>17,049,858</u>	<u>23,549,326</u>	<u>28,135,650</u>	<u>26,792,834</u>	<u>45,185,508</u>
Net position - ending	<u>\$ 3,592,379</u>	<u>\$ 20,346,570</u>	<u>\$ 25,040,075</u>	<u>\$ 27,383,977</u>	<u>\$ 28,632,454</u>	<u>\$ 47,730,547</u>

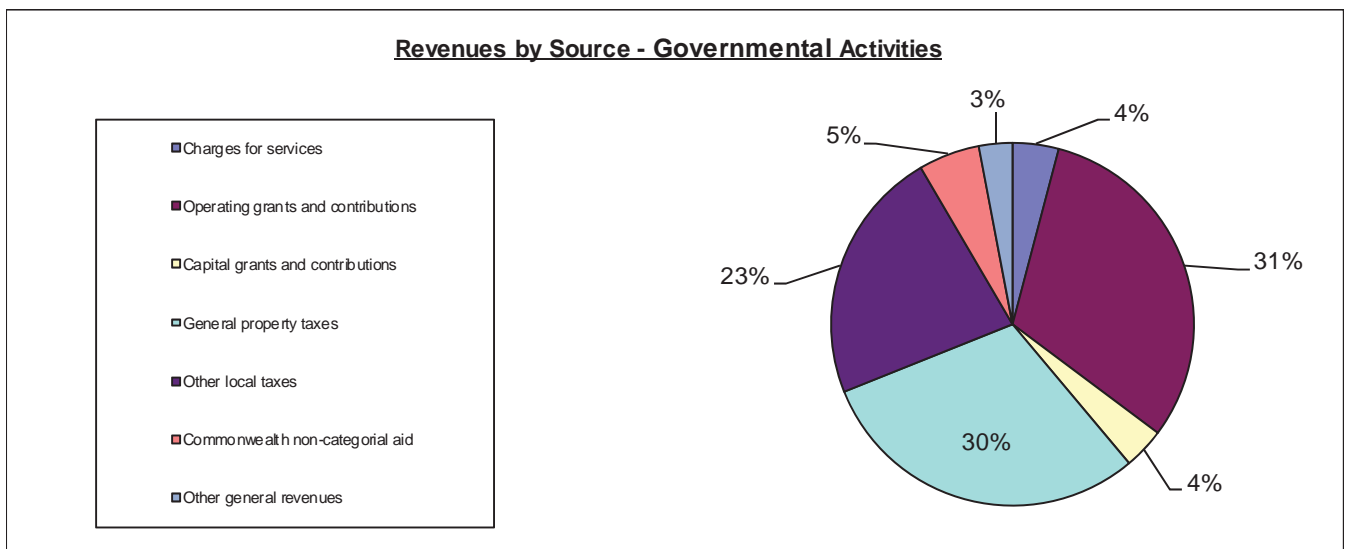
Revenues and transfers from governmental activities totaled \$33,854,254 with operating grants and contributions (27.5%), general property taxes (26.5%), and other local taxes (19.9%) comprising 74% of the City's revenues. Expenses for public safety (27.4%), education (23.3%), public works (10.3%), community development (14.8%), and general government administration (11.3%), account for 87.1% of total governmental expenses of \$33,505,383.

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 \$1,490,749 after deducting \$3,947,547 in transfers to the General and Capital Reserve Funds. Transfers decreased \$561,054 compared to the prior fiscal year.

Financial Analysis of the City’s Funds

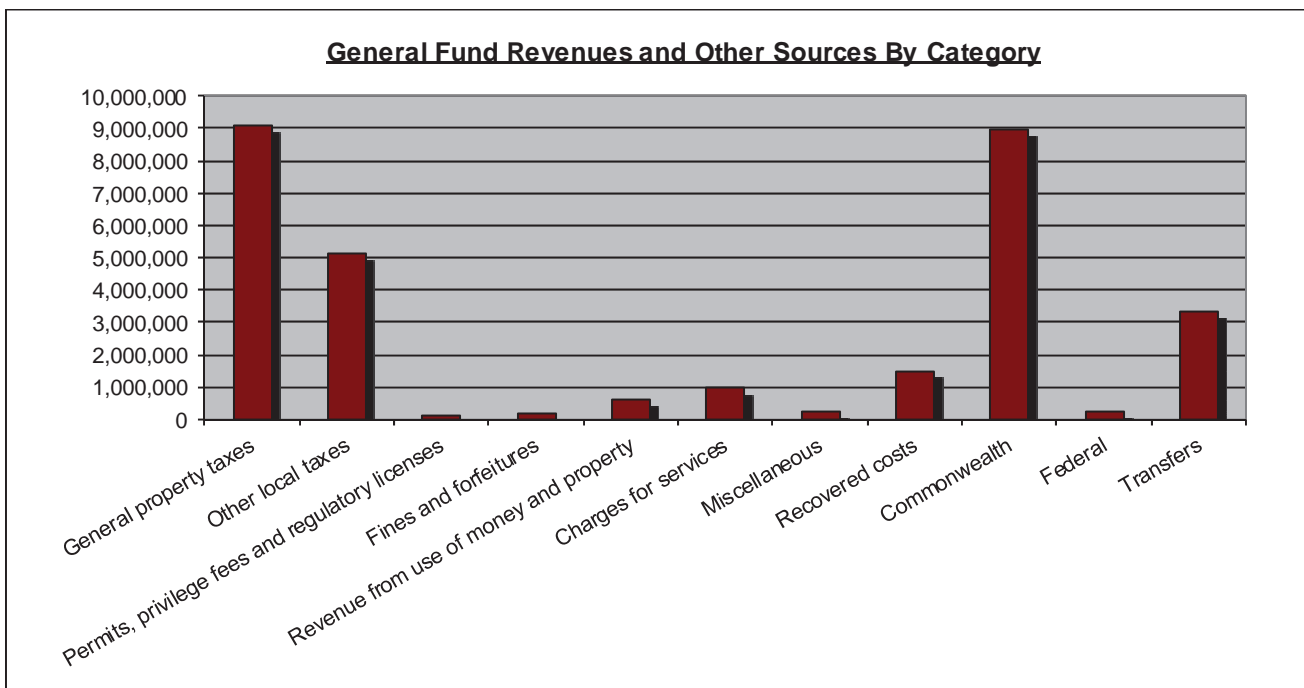
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balances at the end of the fiscal year can be used to measure net resources available for expenditure. Governmental Funds reported a combined ending fund balance of \$8,698,024, a decrease of \$756,970 when compared to the prior year. Forty-seven percent (\$4,069,629) of the combined governmental fund balance is unassigned. The remaining fifty-three percent (\$4,628,395) of the non-spendable, committed or assigned fund balance to show it is not available for spending because it has been nonspendable, committed or assigned for future projects.

The General Fund is the operating fund of the City. The General Fund reports a fund balance at June 30, 2015 of \$7,174,618. This is a decrease from the prior year of \$456,843. The General Fund expenditures exceeded revenues in the current year by \$3,796,006; the expenditures exceeded revenues in FY14 by \$3,139,020. The transfer amounts into the General Fund of \$3,339,163 decreased by \$726,850 compared to FY14. During FY15, transfers from the Proprietary Funds were maximized to keep tax rates as low as possible. There were no transfers out of the General Fund. Fifty-seven percent, or \$4,122,660, of the total fund balance is unassigned, a decrease of \$445,960, compared to \$4,568,620 of unassigned fund balance from June 30, 2014. 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 13.4% of total General Fund expenditures, while total fund balance is 23.3% of that same amount.

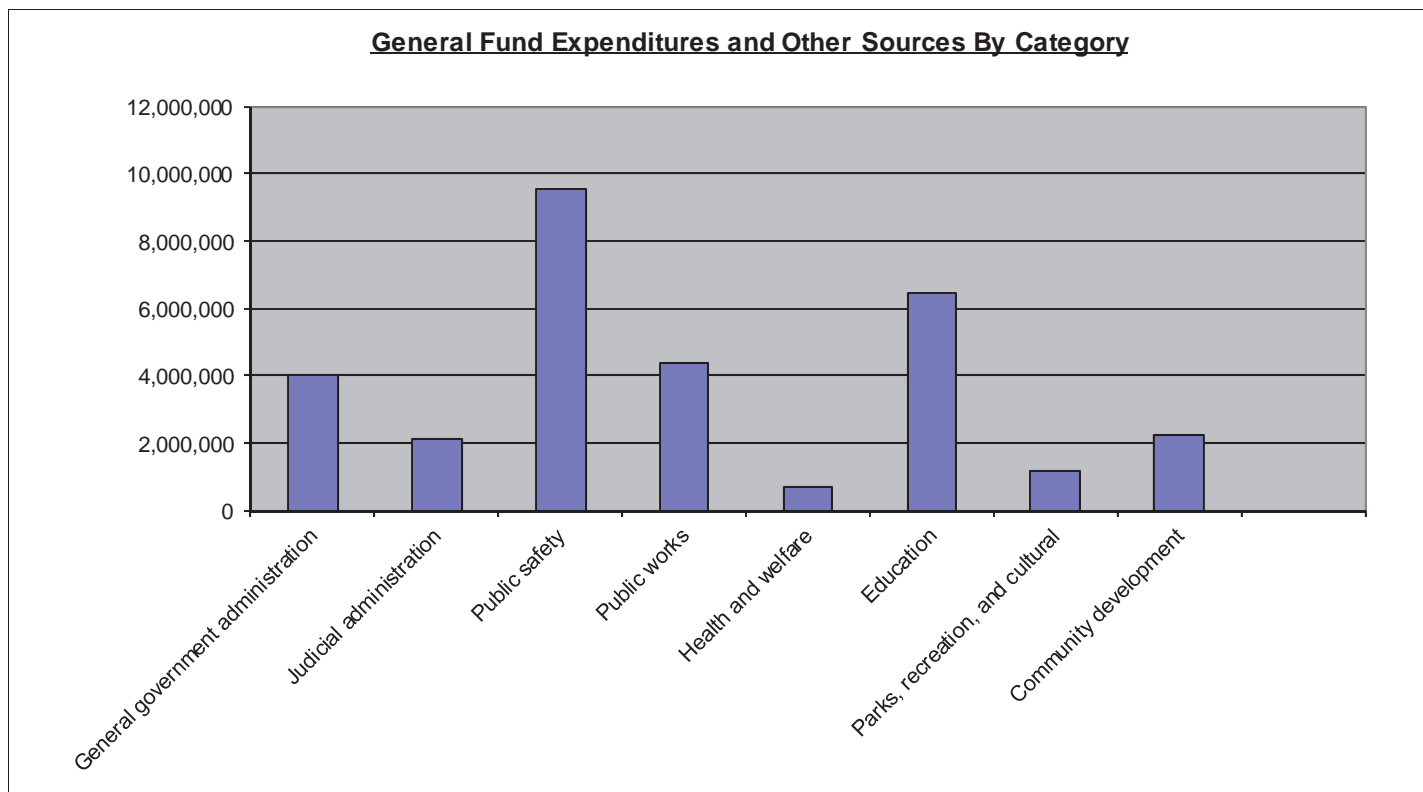
General Fund Revenues and Other Sources by Category

The following graph depicts General Fund revenues and other sources by categories. Total revenues and other sources are \$30,319,769, including transfers into the fund of \$3,339,163.



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 \$30,776,612.



Proprietary funds – reported combined ending net position of \$25,040,075, a decrease of \$2,343,902 in comparison with the amount reported on June 30, 2014. The decrease in net position was primarily caused by the recording of the VRS pension liability. Overall the current year change in net position included the Electric Fund which increased \$619,272; the Refuse Fund which increased \$500,496; the Water Fund which increased \$321,116 and the Sewer Fund which increased \$49,865.

The Enterprise Funds contributed \$3,946,547 in the support of other City operations. Of that amount \$3,339,163 was transferred to the General Fund, and the remaining amount, \$607,384 was transferred to the Capital Reserve Fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor. Revenues were increased by \$2,740,507 or 10.5%, while expenditures increased by \$1,280,139 or 4.14%.

The Revenue increases were as follows:

- \$3,139 in Miscellaneous Revenue
- \$30,725 in Charges for Services
- \$504,880 in Recovered Costs
- \$269,452 in Intergovernmental revenues from the Commonwealth
- \$1,932,311 in Intergovernmental revenues from the Federal Government

General Fund Budgetary Highlights: (Continued)

The Expenditure amendments were as follows:

- \$4,611 in General government administration
- \$54,116 in Judicial administration
- \$504,038 in Public Safety
- \$6,424 in Health & Welfare
- \$330,089 in Public Works
- \$232,126 in Parks, Recreation, and Cultural
- \$148,735 in Community development

During the year, actual revenues were less than budgeted by \$1,755,539 or 6.1%; actual expenditures were less than the budget by \$1,393,075 or 4.53%. The result was a negative variance of \$362,464 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, 2015, is \$46,132,980 (net of accumulated depreciation) as listed in Table 3. This investment in capital assets includes land, buildings and improvements, infrastructure, and machinery and equipment. Significant capital asset events during FY2015 were: patrol cars, trucks, garbage truck, EMS equipment, emergency generators, new computer equipment and software, upgrade and extension of fiber optic communications network, public warning system (sirens), and continuing facility renovations.

City of Martinsville, Virginia's Capital Assets June 30, 2015 and 2014

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 4,379,094	\$ 4,379,094	\$ 683,624	\$ 683,624	\$ 5,062,718	\$ 5,062,718
Construction in progress	-	13,226,128	-	16,950	-	13,243,078
Buildings and improvements	20,753,162	11,868,232	6,468,963	6,160,004	27,222,125	18,028,236
Infrastructure	34,620,670	30,533,944	57,653,658	56,613,441	92,274,328	87,147,385
Equipment	9,080,600	8,605,197	8,361,623	7,919,500	17,442,223	16,524,697
Total	\$ 68,833,526	\$ 68,612,595	\$ 73,167,868	\$ 71,393,519	\$ 142,001,394	\$ 140,006,114
Less: accumulated depreciation	42,928,702	41,992,402	52,939,712	51,960,634	95,868,414	93,953,036
Net capital assets	<u>\$ 25,904,824</u>	<u>\$ 26,620,193</u>	<u>\$ 20,228,156</u>	<u>\$ 19,432,885</u>	<u>\$ 46,132,980</u>	<u>\$ 46,053,078</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 FY2015, Martinsville City had total outstanding obligations of \$40,249,968. Of this amount, \$17,175,507 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, landfill closure and post-closure liability, compensated absences, notes payable and capital lease obligations.

Capital Asset and Debt Administration: (Continued)

During the Fiscal Year, the City decreased its long-term obligations by \$1,588,496 or 8.46%. The City's obligations (other than Pension liability and OPEB obligation) decreased \$2,005,687. No new debt was incurred.

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, 2015 the City's ratio of Net General Obligation Debt to Assessed Value was 2.24%. This was a decrease from the previous fiscal year.

Additional information on the Martinsville City's long-term debt can be found in Note No. 8 of this report.

Economic Factors Influencing FY2015 Budget and Tax Rates

The FY15 budget continued the strategy of streamlining expenses, funding essential capital expenditures, reviewing personnel reductions through attrition wherever possible, and evaluating all vacancies on a case-by-case basis. The budget included no rate/fee adjustments but did include substantial utility transfers to offset General Fund revenue shortfalls.

Looking Ahead – The Outlook for FY2016 - Opportunities and Challenges

The City faces opportunities and challenges in FY16, including the following issues:

- 1. Continued high levels of unemployment** – Martinsville continues to consistently high unemployment relative to other localities around the state but continues to show slow and steady improvement - the unemployment rate for the City on June 30, 2015 was 9.9%, compared to 10.3% for June 30, 2014 and 13.9% the previous year. The City's unemployment rate still compares unfavorably to the state and national average.
- 2. Reductions in state aid** – A continuing challenge for the City is in regard to potential reductions in state aid as state revenue projections fluctuate. This continuing practice creates financial difficulty for the City as announcements of such reductions often occur in mid-year, requiring City budget adjustments.
- 3. Personnel Costs** –The City continues to evaluate the rising cost of employee health care, needed adjustments in the pay/classification plan, and changes in funding related to Virginia Retirement System contributions, all of which places an additional burden on already-stretched budgets.
- 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 budget principles of minimizing increases in taxes and fees and the continuation of offering the same levels of service that citizens are accustomed to receiving. Management realizes that the trend of providing current levels of services cannot continue without increasing revenues/fees for service and/or without making changes in the manner at which local funds are expended.

Looking Ahead – The Outlook for FY2016 - Opportunities and Challenges: (Continued)

- 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, but early system growth and development has required substantial capital investment for new infrastructure. The City continues to expand the service by providing Internet and/or telephone capabilities to the business community, and is working diligently to address the backlog of customers desiring to connect. 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 more aggressive 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.
- 7. Uptown Revitalization Projects** –New College Institute continues to make progress in efforts related to advanced manufacturing training and meeting the ever-changing educational needs of the community.

Dr. Noel Boaz continues to make progress regarding plans for development of a new medical school – The Integrative Centers for Science and Medicine – College of Henricopolis School of Medicine, with plans to use an existing building located at the corner of Moss and Fayette Streets, and eventual plans to expand to other sites.

During 2013, the City partnered with a Petersburg, Virginia development firm – Waukeshaw Development Corp. for redevelopment of the Henry Hotel. Purchased in 2009 by the City, the four-story Henry Hotel is located in uptown Martinsville. The Hotel renovation project was completed in the summer of 2015 and is now engaged in efforts to lease both the residential and commercial spaces. Redevelopment of the hotel parallels renewed interest in business growth in uptown Martinsville that should ultimately generate additional employment opportunities and potential tax revenue.

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 full capacity. Additionally, the City is partnering with CPEG in FY16 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.

- 8. Job Creation**—The City continues to partner with Henry County in economic development. Going into FY16, efforts will continue to retain current business and industry, provide an atmosphere conducive to expansion, as well as to attract new business and industry.

Looking Ahead – The Outlook for FY2016 - Opportunities and Challenges: (Continued)

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 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, approximately 600 acres in size, has become the focus of aggressive development efforts and grading of the site is nearing completion. Additionally, the EDC, County, and City once again partnered on the construction of another new shell building on a revenue sharing site in the Patriot Centre. The \$3 million, 90,000 sf facility was completed in September, 2014 with the goal of attracting new industry, investment, and job creation to this community.

11. Infrastructure Needs – In early FY15, investigation regarding two important projects occurred – (1) an engineering assessment of an approximate 6 mile section of 36 and 42 inch diameter sewer line, and (2) the need for replacement of the City’s aging water and electric meters. Combined, the two projects represent approximately \$30 million and funding for these projects has been secured. Work is beginning on both projects late in calendar year 2015.

For fiscal year 2016, City Council approved a General Fund Budget of \$33,431,377 with no changes in the tax, rate, or fee schedule from the previous year.

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 8,626,200	\$ 9,543,324	\$ 18,169,524	\$ 2,383,767
Receivables (net of allowance for uncollectibles):				
Property taxes	886,345	-	886,345	-
Accounts receivable	94,655	3,440,026	3,534,681	29,601
Inventory	2,433,247	1,337,471	3,770,718	-
Due from other governments	601,828	-	601,828	664,817
Prepaid items	5,425	-	5,425	-
Total Current Assets	\$ 12,647,700	\$ 14,320,821	\$ 26,968,521	\$ 3,078,185
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	14,543,043	3,199,923	17,742,966	9,042,892
Equipment	1,762,207	2,193,091	3,955,298	1,086,092
Infrastructure	5,220,480	14,151,518	19,371,998	-
Total Net Capital Assets	\$ 25,904,824	\$ 20,228,156	\$ 46,132,980	\$ 10,176,156
Total Noncurrent Assets	\$ 25,904,824	\$ 20,228,156	\$ 46,132,980	\$ 10,176,156
Total Assets	\$ 38,552,524	\$ 34,548,977	\$ 73,101,501	\$ 13,254,341
DEFERRED OUTFLOWS OF RESOURCES:				
Pension contributions subsequent to measurement date	\$ 1,902,569	\$ 388,394	\$ 2,290,963	\$ 1,772,892
Changes in proportionate share of employer contributions	-	-	-	912,000
Total deferred outflows of resources	\$ 1,902,569	\$ 388,394	\$ 2,290,963	\$ 2,684,892
Total assets and deferred outflows of resources	\$ 40,455,093	\$ 34,937,371	\$ 75,392,464	\$ 15,939,233
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 1,478,512	\$ 717,772	\$ 2,196,284	\$ 2,134,463
Accrued interest payable	285,303	16,678	301,981	-
Unearned revenues	-	-	-	59,193
Current portion of long-term obligations	1,326,160	310,456	1,636,616	-
Total Current Liabilities	\$ 3,089,975	\$ 1,044,906	\$ 4,134,881	\$ 2,193,656
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations	\$ 30,297,008	\$ 8,093,759	\$ 38,390,767	\$ 21,386,454
Total Liabilities	\$ 33,386,983	\$ 9,138,665	\$ 42,525,648	\$ 23,580,110
DEFERRED INFLOWS OF RESOURCES				
Items related to measurement of net pension liability	\$ 3,383,596	\$ 758,631	\$ 4,142,227	\$ 3,130,697
Deferred revenue	92,135	-	92,135	-
Total deferred inflows of resources	\$ 3,475,731	\$ 758,631	\$ 4,234,362	\$ 3,130,697
NET POSITION				
Net investment in capital assets	\$ 8,309,912	\$ 18,933,157	\$ 27,243,069	\$ 10,176,156
Unrestricted	(4,717,533)	6,106,918	1,389,385	(20,947,730)
Total Net Position	\$ 3,592,379	\$ 25,040,075	\$ 28,632,454	\$ (10,771,574)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 40,455,093	\$ 34,937,371	\$ 75,392,464	\$ 15,939,233

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

CITY OF MARTINSVILLE, VIRGINIA

Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,800,766	\$ 71,257	\$ 230,355	\$ -
Judicial administration	2,096,773	220,001	766,853	-
Public safety	9,176,453	556,608	3,192,089	181,472
Public works	3,456,455	367,457	3,139,103	117,899
Health and welfare	674,858	-	107,481	-
Education	7,794,188	-	-	-
Parks, recreation, and cultural	930,080	13,847	27,393	-
Community development	4,958,922	-	1,840,583	800,000
Interest on long-term debt	616,888	-	-	-
Total governmental activities	\$ 33,505,383	\$ 1,229,170	\$ 9,303,857	\$ 1,099,371
Business-type activities:				
Electric	\$ 15,552,584	\$ 17,630,862	\$ -	\$ -
Water	1,576,999	3,301,837	-	-
Sewer	3,063,555	3,929,737	-	-
Refuse collection / landfill	1,454,477	2,199,089	-	-
Total business-type activities	\$ 21,647,615	\$ 27,061,525	\$ -	\$ -
Total primary government	\$ 55,152,998	\$ 28,290,695	\$ 9,303,857	\$ 1,099,371
COMPONENT UNIT:				
School Board	\$ 24,622,901	\$ 426,753	\$ 18,986,869	\$ -

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:				
\$ (3,499,154)	\$ -	\$ (3,499,154)	\$ -	General government administration
(1,109,919)	-	(1,109,919)	-	Judicial administration
(5,246,284)	-	(5,246,284)	-	Public safety
168,004	-	168,004	-	Public works
(567,377)	-	(567,377)	-	Health and welfare
(7,794,188)	-	(7,794,188)	-	Education
(888,840)	-	(888,840)	-	Parks, recreation, and cultural
(2,318,339)	-	(2,318,339)	-	Community development
(616,888)	-	(616,888)	-	Interest on long-term debt
<u>\$ (21,872,985)</u>	<u>\$ -</u>	<u>\$ (21,872,985)</u>	<u>\$ -</u>	Total government activities
Business-type activities:				
\$ -	\$ 2,078,278	\$ 2,078,278	\$ -	Electric
-	1,724,838	1,724,838	-	Water
-	866,182	866,182	-	Sewer
-	744,612	744,612	-	Refuse collection / landfill
<u>\$ -</u>	<u>\$ 5,413,910</u>	<u>\$ 5,413,910</u>	<u>\$ -</u>	Total business-type activities
<u>\$ (21,872,985)</u>	<u>\$ 5,413,910</u>	<u>\$ (16,459,075)</u>	<u>\$ -</u>	Total primary government
COMPONENT UNIT:				
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,209,279)</u>	School Board
General revenues:				
\$ 8,984,049	\$ -	\$ 8,984,049	\$ -	General property taxes
1,921,102	-	1,921,102	-	Local sales tax
1,607,168	-	1,607,168	-	Business license tax
1,665,418	-	1,665,418	-	Meals tax
678,862	-	678,862	-	Consumer utility tax
895,763	-	895,763	-	Other local taxes
649,438	23,386	672,824	60,977	Unrestricted revenues from use of money and property
243,521	-	243,521	90,875	Miscellaneous
1,629,988	-	1,629,988	-	Grants and contributions not restricted to specific programs
-	-	-	6,438,424	City contribution to the school board, unrestricted
3,946,547	(3,946,547)	-	-	Transfers
<u>\$ 22,221,856</u>	<u>\$ (3,923,161)</u>	<u>\$ 18,298,695</u>	<u>\$ 6,590,276</u>	Total general revenues and transfers
<u>\$ 348,871</u>	<u>\$ 1,490,749</u>	<u>\$ 1,839,620</u>	<u>\$ 1,380,997</u>	Change in net position
<u>3,243,508</u>	<u>23,549,326</u>	<u>26,792,834</u>	<u>(12,152,571)</u>	Net position - beginning
<u>\$ 3,592,379</u>	<u>\$ 25,040,075</u>	<u>\$ 28,632,454</u>	<u>\$ (10,771,574)</u>	Net position - ending

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2015

	General	Meals Tax Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 7,023,652	\$ 825,849	\$ 794,906	\$ 8,644,407
Receivables (net of allowance for uncollectibles):				
Taxes, including penalties	886,345	-	-	886,345
Accounts	94,655	-	-	94,655
Inventory	754,469	-	-	754,469
Due from other governments	601,828	-	-	601,828
Prepaid items	5,425	-	-	5,425
Total assets	<u>\$ 9,366,374</u>	<u>\$ 825,849</u>	<u>\$ 794,906</u>	<u>\$ 10,987,129</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 1,399,370	\$ -	\$ 79,142	\$ 1,478,512
Reconciled overdraft	-	-	18,207	18,207
Total liabilities	<u>\$ 1,399,370</u>	<u>\$ -</u>	<u>\$ 97,349</u>	<u>\$ 1,496,719</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 792,386	\$ -	\$ -	\$ 792,386
FUND BALANCES				
Nonspendable:				
Inventory	\$ 754,469	-	-	\$ 754,469
Prepaid items	5,425	-	-	5,425
Committed:				
Centre infrastructure project	1,666,700	-	-	1,666,700
Piedmont Area Regional Transit	28,725	-	-	28,725
General government administration	30,988	-	-	30,988
Judicial administration	31,890	-	-	31,890
Public safety	320,409	-	-	320,409
Public works	188,352	-	-	188,352
Housing Choice program	-	-	53,123	53,123
Assigned:				
Thoroughfare construction	25,000	-	-	25,000
Capital reserve fund	-	-	697,465	697,465
Meals tax fund	-	825,849	-	825,849
Unassigned	4,122,660	-	(53,031)	4,069,629
Total fund balances	<u>\$ 7,174,618</u>	<u>\$ 825,849</u>	<u>\$ 697,557</u>	<u>\$ 8,698,024</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,366,374</u>	<u>\$ 825,849</u>	<u>\$ 794,906</u>	<u>\$ 10,987,129</u>

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

Total fund balances per exhibit 3 - Balance Sheet - Governmental Funds	\$ 8,698,024
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	25,904,824
Inventory of land and buildings held for resale	1,678,778
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(285,303)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in the fund balance.	700,251
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Items related to the measurement of net pension liability	(3,383,596)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	1,902,569
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.	(31,623,168)
Net position of General Government Activities	<u>\$ 3,592,379</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
 Year Ended June 30, 2015

	<u>General</u>	<u>Meals Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
General property taxes	\$ 9,083,158	\$ -	\$ -	\$ 9,083,158
Other local taxes	5,102,895	1,665,418	-	6,768,313
Permits, privilege fees and regulatory licenses	94,162	-	-	94,162
Fines and forfeitures	174,262	-	-	174,262
Revenue from use of money and property	630,440	73	18,925	649,438
Charges for services	960,746	-	-	960,746
Miscellaneous	233,458	-	10,063	243,521
Recovered costs	1,490,324	-	-	1,490,324
Intergovernmental:				
Commonwealth	8,988,494	-	838,520	9,827,014
Federal	222,667	366,397	1,617,138	2,206,202
Total revenues	\$ 26,980,606	\$ 2,031,888	\$ 2,484,646	\$ 31,497,140
Expenditures:				
Current:				
General government administration	\$ 4,036,870	\$ 50,782	\$ 545,885	\$ 4,633,537
Judicial administration	2,144,310	-	-	2,144,310
Public safety	9,559,409	-	152,688	9,712,097
Public works	4,403,469	-	-	4,403,469
Health and welfare	725,947	-	-	725,947
Education	6,456,144	131,399	-	6,587,543
Parks, recreation, and cultural	1,185,463	-	-	1,185,463
Community development	2,265,000	-	2,667,864	4,932,864
Debt service:				
Principal retirement	-	940,096	303,822	1,243,918
Interest and other fiscal charges	-	581,444	50,065	631,509
Total expenditures	\$ 30,776,612	\$ 1,703,721	\$ 3,720,324	\$ 36,200,657
Excess (deficiency) of revenues over (under) expenditures	\$ (3,796,006)	\$ 328,167	\$ (1,235,678)	\$ (4,703,517)
Other financing sources (uses):				
Transfers in	\$ 3,339,163	\$ -	\$ 1,101,757	\$ 4,440,920
Transfers (out)	-	(494,373)	-	(494,373)
Total other financing sources (uses)	\$ 3,339,163	\$ (494,373)	\$ 1,101,757	\$ 3,946,547
Changes in fund balances	\$ (456,843)	\$ (166,206)	\$ (133,921)	\$ (756,970)
Fund balances at beginning of year	7,631,461	992,055	831,478	9,454,994
Fund balances at end of year	\$ 7,174,618	\$ 825,849	\$ 697,557	\$ 8,698,024

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, 2015

		<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	\$	(756,970)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current year.		
Capital outlays	\$ 1,126,912	
Depreciation expense	<u>(936,300)</u>	190,612
Inventory of land and buildings purchased during the year and held for resale		(424,174)
Transfer of joint tenancy assets from Primary Government to the Component Unit		(905,981)
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 taxes		(99,109)
Increase (decrease) in deferred inflows related to the measurement of the net pension liability		(3,383,596)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, similar items when debt is 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	\$ 625,000	
Principal retired on general obligation bonds	354,300	
Principal retired on general obligation notes	340,000	
Principal retired on capital lease	90,523	
Principal retired on VPA subsidy bonds	<u>174,096</u>	1,583,919
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		99,881
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	\$ (10,587)	
Change in net pension liability	4,049,256	
Change in net OPEB obligation	(9,000)	
Change in accrued interest payable	<u>14,620</u>	<u>4,044,289</u>
Change in net position of governmental activities	\$	<u><u>348,871</u></u>

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

Proprietary Funds
Statement of Net Position
At June 30, 2015

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 1,981,702	\$ 523,153	\$ 333,165	\$ 6,705,304	\$ 9,543,324
Receivables (net of allowance for uncollectibles):	2,381,508	433,538	383,079	241,901	3,440,026
Inventory	1,152,339	185,132	-	-	1,337,471
Total current assets	\$ 5,515,549	\$ 1,141,823	\$ 716,244	\$ 6,947,205	\$ 14,320,821
Noncurrent Assets					
Capital assets:					
Land	\$ -	\$ 658,224	\$ 25,400	\$ -	\$ 683,624
Buildings and improvements	586,744	1,932,115	1,069,859	2,880,245	6,468,963
Equipment	2,680,133	1,596,644	2,251,247	1,833,599	8,361,623
Infrastructure	29,676,477	11,753,591	16,223,590	-	57,653,658
Accumulated depreciation	(23,124,590)	(11,352,568)	(16,283,208)	(2,179,346)	(52,939,712)
Total capital assets (net of accumulated depreciation)	\$ 9,818,764	\$ 4,588,006	\$ 3,286,888	\$ 2,534,498	\$ 20,228,156
Total assets	\$ 15,334,313	\$ 5,729,829	\$ 4,003,132	\$ 9,481,703	\$ 34,548,977
Deferred Outflows of Resources:					
Pension contributions subsequent to measurement date	\$ 86,268	\$ 101,017	\$ 170,277	\$ 30,832	\$ 388,394
Total assets and deferred outflows of resources	\$ 15,420,581	\$ 5,830,846	\$ 4,173,409	\$ 9,512,535	\$ 34,937,371
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 118,931	\$ 108,408	\$ 105,833	\$ 55,352	\$ 388,524
Customers' deposits	289,099	40,149	-	-	329,248
Interest payable	706	-	1,104	14,868	16,678
Current portion of long-term obligations	23,345	5,008	22,467	259,636	310,456
Total current liabilities	\$ 432,081	\$ 153,565	\$ 129,404	\$ 329,856	\$ 1,044,906
Noncurrent liabilities:					
Noncurrent portion of long-term obligations	908,213	888,332	1,589,652	4,707,562	8,093,759
Total liabilities	\$ 1,340,294	\$ 1,041,897	\$ 1,719,056	\$ 5,037,418	\$ 9,138,665
Deferred Inflows of Resources:					
Items related to measurement of net pension liability	\$ 178,355	\$ 192,054	\$ 328,413	\$ 59,809	\$ 758,631
NET POSITION					
Net investment in capital assets	\$ 9,723,764	\$ 4,588,006	\$ 3,185,251	\$ 1,436,136	\$ 18,933,157
Unrestricted	4,178,168	8,889	(1,059,311)	2,979,172	6,106,918
Total net position	\$ 13,901,932	\$ 4,596,895	\$ 2,125,940	\$ 4,415,308	\$ 25,040,075
Total liabilities, deferred inflows of resources and net position	\$ 15,420,581	\$ 5,830,846	\$ 4,173,409	\$ 9,512,535	\$ 34,937,371

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

Proprietary Funds
 Statement of Revenues, Expenses and Changes in Net Position
 Year Ended June 30, 2015

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Collection/ Landfill Fund</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 17,552,118	\$ 3,106,788	\$ 3,929,737	\$ 1,669,438	\$ 26,258,081
Miscellaneous	<u>78,744</u>	<u>195,049</u>	<u>-</u>	<u>529,651</u>	<u>803,444</u>
Total operating revenues	<u>\$ 17,630,862</u>	<u>\$ 3,301,837</u>	<u>\$ 3,929,737</u>	<u>\$ 2,199,089</u>	<u>\$ 27,061,525</u>
Operating expenses:					
Personnel services	\$ 522,539	\$ 564,511	\$ 864,684	\$ 206,073	\$ 2,157,807
Fringe benefits	143,170	165,987	296,003	59,486	664,646
Contractual services	153,385	32,138	247,458	616,946	1,049,927
Other charges	14,353,943	611,566	1,426,437	364,932	16,756,878
Depreciation	<u>377,832</u>	<u>202,797</u>	<u>226,088</u>	<u>172,361</u>	<u>979,078</u>
Total operating expenses	<u>\$ 15,550,869</u>	<u>\$ 1,576,999</u>	<u>\$ 3,060,670</u>	<u>\$ 1,419,798</u>	<u>\$ 21,608,336</u>
Operating income (loss)	<u>\$ 2,079,993</u>	<u>\$ 1,724,838</u>	<u>\$ 869,067</u>	<u>\$ 779,291</u>	<u>\$ 5,453,189</u>
Nonoperating revenues (expenses):					
Interest income	\$ -	\$ -	\$ 23,386	\$ -	\$ 23,386
Interest expense	<u>(1,715)</u>	<u>-</u>	<u>(2,885)</u>	<u>(34,679)</u>	<u>(39,279)</u>
Total nonoperating revenues (expenses)	<u>\$ (1,715)</u>	<u>\$ -</u>	<u>\$ 20,501</u>	<u>\$ (34,679)</u>	<u>\$ (15,893)</u>
Income (loss) before transfers	<u>\$ 2,078,278</u>	<u>\$ 1,724,838</u>	<u>\$ 889,568</u>	<u>\$ 744,612</u>	<u>\$ 5,437,296</u>
Transfers:					
Transfers (out)	<u>(1,459,006)</u>	<u>(1,403,722)</u>	<u>(839,703)</u>	<u>(244,116)</u>	<u>(3,946,547)</u>
Change in net position	<u>\$ 619,272</u>	<u>\$ 321,116</u>	<u>\$ 49,865</u>	<u>\$ 500,496</u>	<u>\$ 1,490,749</u>
Net position at beginning of year, as restated	<u>13,282,660</u>	<u>4,275,779</u>	<u>2,076,075</u>	<u>3,914,812</u>	<u>23,549,326</u>
Net position at end of year	<u>\$ 13,901,932</u>	<u>\$ 4,596,895</u>	<u>\$ 2,125,940</u>	<u>\$ 4,415,308</u>	<u>\$ 25,040,075</u>

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

Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2015

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 17,644,194	\$ 3,292,224	\$ 3,928,086	\$ 2,204,116	\$ 27,068,620
Payments to suppliers and other operating expenses	(14,838,277)	(629,296)	(1,892,495)	(993,053)	(18,353,121)
Payments to employees (including fringe benefits)	(684,704)	(764,137)	(1,230,803)	(273,528)	(2,953,172)
Net cash provided by (used for) operating activities	\$ 2,121,213	\$ 1,898,791	\$ 804,788	\$ 937,535	\$ 5,762,327
Cash Flows From Capital and Related Financing Activities:					
Purchase and construction of capital assets	\$ (968,176)	\$ (365,421)	\$ (173,104)	\$ (267,650)	\$ (1,774,351)
Interest expense	(1,797)	-	(3,053)	(37,251)	(42,101)
Net cash provided by (used for) capital and related financing activities	\$ (969,973)	\$ (365,421)	\$ (176,157)	\$ (304,901)	\$ (1,816,452)
Cash Flows From Noncapital Financing Activities:					
Transfers	\$ (1,459,006)	\$ (1,403,722)	\$ (839,703)	\$ (244,116)	\$ (3,946,547)
Retirements of general obligation bonds	(17,999)	-	(15,258)	(401,844)	(435,101)
Net cash provided by (used for) noncapital financing activities	\$ (1,477,005)	\$ (1,403,722)	\$ (854,961)	\$ (645,960)	\$ (4,381,648)
Cash Flows From Investing Activities:					
Interest income	\$ -	\$ -	\$ 23,386	\$ -	\$ 23,386
Net Increase (decrease) in cash and cash equivalents	\$ (325,765)	\$ 129,648	\$ (202,944)	\$ (13,326)	\$ (412,387)
Cash and cash equivalents at beginning of year	<u>2,307,467</u>	<u>393,505</u>	<u>536,109</u>	<u>6,718,630</u>	<u>9,955,711</u>
Cash and cash equivalents at end of year	<u>\$ 1,981,702</u>	<u>\$ 523,153</u>	<u>\$ 333,165</u>	<u>\$ 6,705,304</u>	<u>\$ 9,543,324</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 2,079,993	\$ 1,724,838	\$ 869,067	\$ 779,291	\$ 5,453,189
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	\$ 377,832	\$ 202,797	\$ 226,088	\$ 172,361	\$ 979,078
Changes in operating assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(141)	(10,527)	(1,651)	5,027	(7,292)
Inventory	(380,914)	(35,088)	-	-	(416,002)
Increase (decrease) in:					
Accounts payable	49,965	49,496	(218,600)	(11,175)	(130,314)
Deferred outflows	8,754	1,304	4,693	1,032	15,783
Deferred inflows	178,355	192,054	328,413	59,809	758,631
Net pension liability	(213,443)	(229,837)	(393,023)	(71,575)	(907,878)
Compensated absences	7,339	2,840	(10,199)	2,765	2,745
Customer deposits	13,473	914	-	-	14,387
Total adjustments	\$ 41,220	\$ 173,953	\$ (64,279)	\$ 158,244	\$ 309,138
Net cash provided by (used for) operating activities	\$ 2,121,213	\$ 1,898,791	\$ 804,788	\$ 937,535	\$ 5,762,327

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

Statement of Fiduciary Net Position --
Agency Funds
At June 30, 2015

	Agency Funds
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ <u>934,842</u>
Total assets	\$ <u><u>934,842</u></u>
LIABILITIES	
Accounts payable	\$ 19,039
Amounts held for others	<u>915,803</u>
Total liabilities	\$ <u><u>934,842</u></u>

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

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 (government 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, 2015 (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, 2015 (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, 2015.

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, 2015.

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.

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, 2015 (Continued)

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

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

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, 2015 (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 Funds are the Housing Choice Fund and 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, 2015 (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 non-operating 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, West Piedmont Business Development Center Fund (WPBDC), Police Academy Fund, Dan River ASAP and the Southern Virginia Recreation Facility Authority 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.

Investments for the government, as well as for its component unit, are reported at fair value. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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 \$2,030,742 at June 30, 2015 is composed of the following:

General Fund

Allowance for uncollectible property taxes	\$ <u>198,319</u>
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Enterprise Funds

Allowance for uncollectible accounts:

Electric Fund	\$ 1,270,388
Water Fund	222,395
Sewer Fund	199,359
Refuse Collection/Landfill Fund	<u>140,281</u>
Total allowance for uncollectible accounts – Enterprise funds	\$ <u>1,832,423</u>
Total allowance for uncollectible accounts	\$ <u><u>2,030,742</u></u>

Real and Personal Property Tax Data:

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

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

The City bills and collects its own property taxes.

H. Inventory

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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

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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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 the assets constructed. Interest attributable to capitalized assets as of June 30, 2015 was immaterial.

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

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

K. Deferred Outflows/Inflows of Resources

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain amounts related to the measurement of the net pension asset or liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on this item, reference the pension note.

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 Retirement Plan and the additions to/deductions from the City's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. 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. In accordance with the provisions of *Government Accounting Standards No. 16, Accounting for Compensated Absences*, 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.

N. 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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

O. 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.

P. Fund Equity

The City reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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

Q. 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.

R. 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.

S. 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.

T. 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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

U. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*:

The City and School Board implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	City		
	<u>Governmental</u>	<u>Proprietary</u>	<u>School Board</u>
Net Position as reported at June 30, 2014	\$ 20,346,570	\$ 27,383,977	\$ 9,491,639
Implementation of GASB 68	<u>(17,103,062)</u>	<u>(3,834,651)</u>	<u>(21,644,210)</u>
Net Position as restated at June 30, 2014	<u>\$ 3,243,508</u>	<u>\$ 23,549,326</u>	<u>\$ (12,152,571)</u>

V. Upcoming Pronouncements

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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

V. Upcoming Pronouncements (Continued)

are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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.
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 exceed appropriations as follows for the fiscal year ended June 30, 2015:

<u>Fund/ Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess of Expenditures Over Appropriations</u>
Planning and community development	\$ <u>2,253,427</u>	\$ <u>2,265,000</u>	\$ <u>(11,573)</u>

Fund Deficits

The following funds had deficit balances at June 30, 2015:

City Grants Fund	\$ (53,031)
School Grants Fund	(81,040)

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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.

The City did not have any investments at year-end.

The component unit school board is part of the City's pooled cash and has a net balance in the amount of \$2,383,767 at June 30, 2015.

Note 4—Due from Other Governments:

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
Local Sales Tax	\$ 160,684	\$ -
State Sales Tax	-	164,130
Constitutional officer reimbursements	274,752	-
Miscellaneous grants	54,726	2,500
Comprehensive service	22,329	-
Communication taxes	76,375	-
Technology grant	-	233,600
Federal Government:		
National guard armory	3,981	-
DMV grant - police dept	5,333	-
Senior citizens grant	3,261	-
Emergency management performance	387	-
School fund grants	-	264,587
Total due from other governments	<u>\$ 601,828</u>	<u>\$ 664,817</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 5—Inventory:

At June 30, 2015 the City has inventory recorded in the various funds as follows:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Expendable supplies	\$ 754,469	\$ 1,337,471
Land and building inventory held for resale:		
77 Commercial & residential lots held for resale	1,391,032	-
8 Commercial & residential buildings held for resale	287,746	-
Totals	<u>\$ 2,433,247</u>	<u>\$ 1,337,471</u>

Note 6—Capital Assets:

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

Primary Government:

Governmental Activities:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 4,379,094	\$ -	\$ -	\$ 4,379,094
Construction in progress	13,226,128	277,774	13,503,902	-
Total capital assets not being depreciated	<u>\$ 17,605,222</u>	<u>\$ 277,774</u>	<u>\$ 13,503,902</u>	<u>\$ 4,379,094</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 7,041,044	\$ 490,911	\$ -	\$ 7,531,955
Equipment	8,605,197	475,403	-	9,080,600
Infrastructure	30,533,944	4,086,726	-	34,620,670
Jointly owned assets	4,827,188	9,300,000	905,981	13,221,207
Total capital assets being depreciated	<u>\$ 51,007,373</u>	<u>\$ 14,353,040</u>	<u>\$ 905,981</u>	<u>\$ 64,454,432</u>
Accumulated depreciation:				
Buildings and improvements	\$ 3,622,212	\$ 163,331	\$ -	\$ 3,785,543
Equipment	7,016,288	302,105	-	7,318,393
Infrastructure	29,259,856	140,334	-	29,400,190
Jointly owned assets	2,094,046	330,530	-	2,424,576
Total accumulated depreciation	<u>\$ 41,992,402</u>	<u>\$ 936,300</u>	<u>\$ -</u>	<u>\$ 42,928,702</u>
Total capital assets being depreciated, net	<u>\$ 9,014,971</u>	<u>\$ 13,416,740</u>	<u>\$ 905,981</u>	<u>\$ 21,525,730</u>
Governmental activities capital assets, net	<u>\$ 26,620,193</u>	<u>\$ 13,694,514</u>	<u>\$ 14,409,883</u>	<u>\$ 25,904,824</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government:

Business-type Activities:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Electric Fund:				
Capital assets, not being depreciated:				
Construction in progress	\$ 16,950	\$ 53,435	\$ 70,385	\$ -
Capital assets being depreciated:				
Buildings and improvements	\$ 586,744	\$ -	\$ -	\$ 586,744
Equipment	2,440,853	239,280	-	2,680,133
Infrastructure	28,930,631	745,846	-	29,676,477
Total capital assets being depreciated	\$ 31,958,228	\$ 985,126	\$ -	\$ 32,943,354
Accumulated depreciation:				
Buildings and improvements	\$ 586,616	\$ 128	\$ -	\$ 586,744
Equipment	2,024,869	108,118	-	2,132,987
Infrastructure	20,135,273	269,586	-	20,404,859
Total accumulated depreciation	\$ 22,746,758	\$ 377,832	\$ -	\$ 23,124,590
Total capital assets being depreciated, net	\$ 9,211,470	\$ 607,294	\$ -	\$ 9,818,764
Electric fund capital assets, net	\$ 9,228,420	\$ 660,729	\$ 70,385	\$ 9,818,764

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Water Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 658,224	\$ -	\$ -	\$ 658,224
Capital assets being depreciated:				
Buildings and improvements	\$ 1,694,104	\$ 238,011	\$ -	\$ 1,932,115
Equipment	1,590,501	6,143	-	1,596,644
Infrastructure	11,632,324	121,267	-	11,753,591
Total capital assets being depreciated	\$ 14,916,929	\$ 365,421	\$ -	\$ 15,282,350
Accumulated depreciation:				
Buildings and improvements	\$ 1,113,012	\$ 30,572	\$ -	\$ 1,143,584
Equipment	1,045,565	41,048	-	1,086,613
Infrastructure	8,991,194	131,177	-	9,122,371
Total accumulated depreciation	\$ 11,149,771	\$ 202,797	\$ -	\$ 11,352,568
Total capital assets being depreciated, net	\$ 3,767,158	\$ 162,624	\$ -	\$ 3,929,782
Water fund capital assets, net	\$ 4,425,382	\$ 162,624	\$ -	\$ 4,588,006

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Sewer Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 25,400	\$ -	\$ -	\$ 25,400
Capital assets being depreciated:				
Buildings and improvements	\$ 1,069,859	\$ -	\$ -	\$ 1,069,859
Equipment	2,251,247	-	-	2,251,247
Infrastructure	16,050,486	173,104	-	16,223,590
Total capital assets being depreciated	\$ 19,371,592	\$ 173,104	\$ -	\$ 19,544,696
Accumulated depreciation:				
Buildings and improvements	\$ 866,499	\$ 20,031	\$ -	\$ 886,530
Equipment	1,345,595	68,657	-	1,414,252
Infrastructure	13,845,026	137,400	-	13,982,426
Total accumulated depreciation	\$ 16,057,120	\$ 226,088	\$ -	\$ 16,283,208
Total capital assets being depreciated, net	\$ 3,314,472	\$ (52,984)	\$ -	\$ 3,261,488
Sewer fund capital asset, net	\$ 3,339,872	\$ (52,984)	\$ -	\$ 3,286,888

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Refuse Collection/Landfill Fund:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,809,297	\$ 70,948	\$ -	\$ 2,880,245
Equipment	<u>1,636,897</u>	<u>196,702</u>	<u>-</u>	<u>1,833,599</u>
Total capital assets being depreciated	<u>\$ 4,446,194</u>	<u>\$ 267,650</u>	<u>\$ -</u>	<u>\$ 4,713,844</u>
Accumulated depreciation:				
Buildings and improvements	\$ 508,665	\$ 136,001	\$ -	\$ 644,666
Equipment	<u>1,498,320</u>	<u>36,360</u>	<u>-</u>	<u>1,534,680</u>
Total accumulated depreciation	<u>\$ 2,006,985</u>	<u>\$ 172,361</u>	<u>\$ -</u>	<u>\$ 2,179,346</u>
Total capital assets being depreciated, net	<u>\$ 2,439,209</u>	<u>\$ 95,289</u>	<u>\$ -</u>	<u>\$ 2,534,498</u>
Refuse collection/landfill fund capital assets, net	<u><u>\$ 2,439,209</u></u>	<u><u>\$ 95,289</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,534,498</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Total Business-type Activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 683,624	\$ -	\$ -	\$ 683,624
Construction in progress	<u>16,950</u>	<u>53,435</u>	<u>70,385</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 700,574</u>	<u>\$ 53,435</u>	<u>\$ 70,385</u>	<u>\$ 683,624</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,160,004	\$ 308,959	\$ -	\$ 6,468,963
Equipment	7,919,498	442,125	-	8,361,623
Infrastructure	<u>56,613,441</u>	<u>1,040,217</u>	<u>-</u>	<u>57,653,658</u>
Total capital assets being depreciated	<u>\$ 70,692,943</u>	<u>\$ 1,791,301</u>	<u>\$ -</u>	<u>\$ 72,484,244</u>
Accumulated depreciation:				
Buildings and improvements	\$ 3,074,792	\$ 186,732	\$ -	\$ 3,261,524
Equipment	5,914,349	254,183	-	6,168,532
Infrastructure	<u>42,971,493</u>	<u>538,163</u>	<u>-</u>	<u>43,509,656</u>
Total accumulated depreciation	<u>\$ 51,960,634</u>	<u>\$ 979,078</u>	<u>\$ -</u>	<u>\$ 52,939,712</u>
Total capital assets being depreciated, net	<u>\$ 18,732,309</u>	<u>\$ 812,223</u>	<u>\$ -</u>	<u>\$ 19,544,532</u>
Total Business-type capital assets, net	<u>\$ 19,432,883</u>	<u>\$ 865,658</u>	<u>\$ 70,385</u>	<u>\$ 20,228,156</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 6—Capital Assets: (Continued)

Discretely Presented Component Unit—School Board:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Discretely Presented Component Unit-School Board:				
Capital assets, not being depreciated:				
Land	\$ 47,172	\$ -	\$ -	\$ 47,172
Capital assets being depreciated:				
Buildings and improvements	\$ 7,378,395	\$ 642,084	\$ -	\$ 8,020,479
Equipment	3,065,093	357,548	-	3,422,641
Jointly owned assets	9,609,571	905,980	-	10,515,551
Total capital assets being depreciated	<u>\$ 20,053,059</u>	<u>\$ 1,905,612</u>	<u>\$ -</u>	<u>\$ 21,958,671</u>
Accumulated depreciation:				
Buildings and improvements	\$ 5,741,581	\$ 77,510	\$ -	\$ 5,819,091
Equipment	2,161,990	174,559	-	2,336,549
Jointly owned assets	3,411,158	262,889	-	3,674,047
Total accumulated depreciation	<u>\$ 11,314,729</u>	<u>\$ 514,958</u>	<u>\$ -</u>	<u>\$ 11,829,687</u>
Total capital assets being depreciated, net	<u>\$ 8,738,330</u>	<u>\$ 1,390,654</u>	<u>\$ -</u>	<u>\$ 10,128,984</u>
School Board capital assets, net	<u>\$ 8,785,502</u>	<u>\$ 1,390,654</u>	<u>\$ -</u>	<u>\$ 10,176,156</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 6—Capital Assets: (Continued)

The following is a summary of depreciation expense for the year ended June 30, 2015:

Governmental activities:

General government	\$	85,166
Judicial administration		1,120
Public safety		195,906
Public works		223,700
Health and welfare		9,596
Education		330,530
Parks, recreation and cultural		38,176
Community development		<u>52,106</u>
Total Governmental activities	\$	<u><u>936,300</u></u>

Business-type activities:

Electric	\$	377,832
Water		202,797
Sewer		226,088
Refuse collection / landfill		<u>172,361</u>
Total Enterprise activities	\$	<u><u>979,078</u></u>

Component Unit School Board \$ 252,069 *

* Note accumulated depreciation transferred from the Primary Government to the Component Unit School Board on Jointly owned assets totals \$262,889 for the year ending June 30, 2015 when added to depreciation expense above totals \$514,958 accumulated depreciation per the previous page.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 7—Interfund Transfers/Obligations:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Activities:		
General Fund	\$ 3,339,163	\$ -
Meals tax	-	494,373
Nonmajor governmental funds:		
Capital reserve	1,101,757	-
Proprietary Funds:		
Electric	-	1,459,006
Water	-	1,403,722
Sewer	-	839,703
Refuse Collection/Landfill	-	244,116
	<hr/>	<hr/>
Total	\$ <u>4,440,920</u>	\$ <u>4,440,920</u>

Interfund receivables and payable balances relative to working capital loans at June 30, 2015 are presented below:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Component Unit - School Board:		
School Operating Fund	\$ 224,059	\$ -
School Grants	-	224,059
	<hr/>	<hr/>
Total	\$ <u>224,059</u>	\$ <u>224,059</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, 2015 (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, 2015:

	Beginning Balance July 1, 2014	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by City					
Compensated absences	\$ 550,094	\$ 128,568	\$ 117,981	\$ 560,681	\$ 54,397
General obligation bonds	2,863,700	-	354,300	2,509,400	356,300
General obligation note	340,000	-	340,000	-	-
Net pension liability	18,905,750	5,834,110	9,883,366	14,856,494	-
Net OPEB obligation	186,000	271,000	262,000	195,000	-
Capital lease	370,909	-	90,523	280,386	91,977
Total incurred by City	<u>\$ 23,216,453</u>	<u>\$ 6,233,678</u>	<u>\$ 11,048,170</u>	<u>\$ 18,401,961</u>	<u>\$ 502,674</u>
Incurred by School Board:					
State Literary Fund Loans	\$ 3,375,000	-	\$ 625,000	\$ 2,750,000	\$ 625,000
VPA subsidy bonds	10,645,303	-	174,096	10,471,207	198,486
Total incurred by School Board	<u>\$ 14,020,303</u>	<u>\$ -</u>	<u>\$ 799,096</u>	<u>\$ 13,221,207</u>	<u>\$ 823,486</u>
Total Governmental Activities Obligations	<u>\$ 37,236,756</u>	<u>\$ 6,233,678</u>	<u>\$ 11,847,266</u>	<u>\$ 31,623,168</u>	<u>\$ 1,326,160</u>
Business-type Activities Obligations:					
Compensated absences	\$ 186,109	\$ 61,811	\$ 59,066	\$ 188,854	\$ 20,556
General obligation bond	1,880,000	-	435,100	1,444,900	289,900
Net pension liability	4,238,829	1,308,057	2,215,935	3,330,951	-
Landfill closure and post-closure costs	3,439,510	-	-	3,439,510	-
Total Business-type Activities Obligations	<u>\$ 9,744,448</u>	<u>\$ 1,369,868</u>	<u>\$ 2,710,101</u>	<u>\$ 8,404,215</u>	<u>\$ 310,456</u>
Total Primary Government	<u>\$ 46,981,204</u>	<u>\$ 7,603,546</u>	<u>\$ 14,557,367</u>	<u>\$ 40,027,383</u>	<u>\$ 1,636,616</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, 2015 (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,	City Obligations				Business-type Obligations	
	General Obligation Bonds		Capital Lease		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 356,300	\$ 55,164	\$ 91,977	\$ 4,120	\$ 289,900	\$ 35,556
2017	366,300	47,400	93,454	2,642	144,000	30,030
2018	374,400	39,442	94,955	1,141	148,000	26,288
2019	378,600	31,346	-	-	151,000	22,439
2020	386,800	23,110	-	-	155,000	18,499
2021	85,100	17,793	-	-	139,000	14,669
2022	87,400	15,452	-	-	41,000	10,931
2023	89,800	13,049	-	-	43,000	9,776
2024	92,300	10,579	-	-	44,000	8,580
2025	94,800	8,041	-	-	45,000	7,356
2026	97,500	5,434	-	-	46,000	6,105
2027	100,100	2,753	-	-	48,000	4,813
2028	-	-	-	-	49,000	3,479
2029	-	-	-	-	50,000	2,118
2030	-	-	-	-	52,000	715
Total	<u>\$ 2,509,400</u>	<u>\$ 269,563</u>	<u>\$ 280,386</u>	<u>\$ 7,903</u>	<u>\$ 1,444,900</u>	<u>\$ 201,354</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Year Ending June 30,	School Board Obligations			
	State Literary Fund Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 625,000	\$ 82,500	\$ 198,486	\$ 461,748
2017	625,000	63,750	220,827	457,116
2018	375,000	45,000	493,803	452,373
2019	375,000	33,750	512,124	447,512
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>2,750,000</u>	\$ <u>258,750</u>	\$ <u>10,471,207</u>	\$ <u>6,598,163</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Incurred by City:

General Obligation Bonds:

\$1,752,167 general obligation refunding bonds series 2014A bonds maturing in various annual installments of \$281,750 to \$304,398 through July 15, 2019, interest payable semi-annually at 2.37%	\$ 1,470,000
\$1,250,000 general obligation bond, Series 2012 issued (for Municipal building renovations) January 26, 2012, maturing in various annual installments of \$67,900 to \$100,100 through February 1, 2027, interest payable semi-annually at 2.75%	<u>1,039,400</u>
Total general obligation bonds	\$ <u>2,509,400</u>

Capital Lease:

The City has entered into a lease agreement as lessee for financing the acquisition of a fire truck. The fire truck cost \$460,000 and was acquired with lease financing. Annual requirements to amortize City long-term lease obligations are disclosed within this note. Details of this lease are as follows:

\$460,000 obligation for the purchase of a fire truck, payable in semi-annual installments of \$48,048 beginning August 15, 2013 through February 15, 2018, interest at 1.6%	\$ <u>280,386</u>
Compensated absences	\$ <u>560,681</u>
Net pension liability	\$ <u>14,856,494</u>
Net OPEB obligation	\$ <u>195,000</u>
Total Incurred by City	\$ <u>18,401,961</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Incurred by School Board:

State Literary Fund Loans:

\$5,000,000 State Literary Fund loan issued (for Junior High) January 28, 1997, due in annual principal installments of \$250,000 through 2017, interest payable annually at 3% \$ 500,000

\$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% 2,250,000

Total State Literary Fund Loans \$ 2,750,000

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% \$ 1,364,461

\$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 9,106,746

Total General Obligation Bonds \$ 10,471,207

Total Incurred by the School Board \$ 13,221,207

Total Governmental Obligations \$ 31,623,168

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Business-type Obligations:

General Obligation Bonds:

\$1,782,700 noncapital-related general obligation refunding series 2009B bonds maturing in various annual installments of \$149,900 to \$296,100 through July 15, 2015, interest payable semi-annually at 2.50%	\$	149,900
\$112,833 general obligation refunding bonds series 2014A bonds, (acquired bucket truck for Electric) maturing in various annual installments of \$18,150 to \$19,602 through July 15, 2019, interest payable semi-annually at 2.37%		95,000
\$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%		643,000
\$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%		<u>557,000</u>
Total general obligation bonds	\$	<u>1,444,900</u>
Compensated absences	\$	<u>188,854</u>
Net pension liability	\$	<u>3,330,951</u>
Landfill closure and postclosure costs	\$	<u>3,439,510</u>
Total enterprise obligations	\$	<u><u>8,404,215</u></u>

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, 2015:

	Restated Beginning Balance July 1, 2014	Additions	Deletions	Ending Balance June 30, 2015	Amounts Due Within One Year
Net OPEB obligation	\$ 85,000	\$ 64,000	\$ 59,000	\$ 90,000	\$ -
Net pension liability - nonprofessional	1,601,748	342,691	543,985	1,400,454	-
Net pension liability - professional	<u>21,568,000</u>	<u>1,775,000</u>	<u>3,447,000</u>	<u>19,896,000</u>	-
Total	<u>\$ 23,254,748</u>	<u>\$ 2,181,691</u>	<u>\$ 4,049,985</u>	<u>\$ 21,386,454</u>	<u>\$ -</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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 \$3,439,510 reported as landfill closure and postclosure care liability at June 30, 2015 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 2015. Actual closure and postclosure care costs may be higher due to inflation, changes in technology, or changes in regulations.

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

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

Note 10—Deferred/Unavailable/Unearned Revenue:

Unearned and deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

Unavailable Property Tax Revenue – Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$700,250 at June 30, 2015.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2015, but in advance by the taxpayers totaled \$92,136 at June 30, 2015.

Discretely Presented School Board – Unearned revenue represented unexpended NASA and Harvest Foundation grant funds totaling \$59,193 at June 30, 2015.

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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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, 2015 (Continued)

Note 12—Litigation:

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

Note 13—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 Municipal Group Self Insurance Association 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 Virginia Municipal Group 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 are automatically covered by the VRS City Retirement Plan upon employment. The Plan includes employees of entities whose financial information is not included in the primary government report, and is therefore a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

All full-time, salaried permanent (nonprofessional) employees of the public school divisions are automatically covered by the City Public Schools Retirement Plan upon employment. This is an agent multiple-employer plan administered by the System along with plans for other employer groups in the Commonwealth of Virginia.

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).

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1- April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. <p>The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</p> <ul style="list-style-type: none"> • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City's contractually required contribution rate for the year ended June 30, 2015 was 18.87% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$2,290,963 and \$2,206,866 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

At June 30, 2015, the City reported a liability of \$18,187,446 for its proportionate share of the net pension liability. The City's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. 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, 2014 was used as a basis for allocation to determine the City's proportionate share of the net pension liability. At June 30, 2014, the City's proportion was 93.42%, respectively.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

The total pension liability for General Employees in the City's Retirement Plan and the City Public Schools Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, 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: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, 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, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the City Retirement Plan, City Public Schools Retirement Plan, and the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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		
	(6.00%)	(7.00%)	(8.00%)
City's proportionate share of the Net Pension Liability (Asset)	\$ 28,729,082	\$ 18,187,446	\$ 9,734,938

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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, 2015, the City recognized pension expense of \$1,391,959. At June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 4,142,227
Employer contributions subsequent to the measurement date	<u>2,290,963</u>	<u>-</u>
Total	<u>\$ 2,290,963</u>	<u>\$ 4,142,227</u>

\$2,290,963 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Primary Government
2016	\$ (1,035,557)
2017	(1,035,557)
2018	(1,035,557)
2019	(1,035,556)
Thereafter	-

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (nonprofessional)

Plan Description

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, 2013 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	73
Inactive members:	
Vested inactive members	3
Non-vested inactive members	5
Inactive members active elsewhere in VRS	<u>20</u>
Total inactive members	28
Active members	<u>21</u>
Total covered employees	<u><u>122</u></u>

Contributions

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Contributions (Continued)

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 \$90,148 and \$119,537 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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, 2013	\$ 4,232,082	\$ 2,630,334	\$ 1,601,748
Changes for the year:			
Service cost	\$ 56,141	\$ -	\$ 56,141
Interest	284,255	-	284,255
Contributions - employer	-	119,537	(119,537)
Contributions - employee	-	25,188	(25,188)
Net investment income	-	399,239	(399,239)
Benefit payments, including refunds of employee contributions	(342,606)	(342,606)	-
Administrative expenses	-	(2,295)	2,295
Other changes	-	21	(21)
Net changes	\$ (2,210)	\$ 199,084	\$ (201,294)
Balances at June 30, 2014	\$ 4,229,872	\$ 2,829,418	\$ 1,400,454

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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:

	<u>Rate</u>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 1,808,819	\$ 1,400,454	\$ 1,051,987

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

For the year ended June 30, 2015, the Component Unit School Board (nonprofessional) recognized pension expense of \$95,940. At June 30, 2015, the Component Unit School Board (nonprofessional) 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>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 177,697
Employer contributions subsequent to the measurement date	<u>90,148</u>	<u>-</u>
Total	<u>\$ 90,148</u>	<u>\$ -</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

\$90,148 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>		
2016	\$	(44,424)
2017		(44,424)
2018		(44,424)
2019		(44,425)
Thereafter		-

Component Unit School Board (professional)

Plan Description

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

Contributions

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$1,682,744 and \$1,403,886 for the years ended June 30, 2015 and June 30, 2014, respectively.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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, 2015, the school division reported a liability of \$19,896,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. 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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was .16464% as compared to .15656% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of \$1,775,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, 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, 2015, 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>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 2,953,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	912,000	-
Employer contributions subsequent to the measurement date	<u>1,682,744</u>	<u>-</u>
Total	<u>\$ 1,682,744</u>	<u>\$ 2,953,000</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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)

\$1,682,744 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>			
2016	\$	(537,000)	
2017		(537,000)	
2018		(537,000)	
2019		(537,000)	
Thereafter		107,000	

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, 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, 2015 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

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		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 29,216,000	\$ 19,896,000	\$ 12,223,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15—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 16—Other Postemployment Benefits—Health Insurance:

Primary Government:

A. Plan Description

The City of Martinsville post-retirement medical plan (CMPRMP) is a single-employer defined benefit healthcare plan which offers health insurance for retired employees. The plan is administered by the City Council. 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 has no separate financial report.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)

Primary Government: (Continued)

B. Funding Policy

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 retired prior to July 1, 2000 the City pays between \$232 and \$252 per month towards the monthly premium and the retiree contributes remaining funds towards the monthly premium. For retirees retired subsequent to July 1, 2000 the retiree pays 25% of the City Contribution and the remaining funds towards the premium. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

C. Annual OPEB Cost and Net OPEB Obligation

The City’s annual other postemployment benefit (OPEB) cost (expenses) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the plan:

Annual required contribution	\$ 271,000
Interest on net OPEB obligation	8,000
Adjustment to annual required contribution	<u>(8,000)</u>
Annual OPEB cost (expense)	271,000
Contributions made	<u>(262,000)</u>
Increase (decrease) in net OPEB obligation	\$ 9,000
Net OPEB obligation - beginning of year	<u>186,000</u>
Net OPEB obligation - end of year	<u><u>\$ 195,000</u></u>

For 2015, the City’s expected cash payment of \$262,000 is less than the OPEB cost (expense) of \$271,000 and was \$9,000 short of the ARC. The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding two years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 229,000	89.5%	\$ 175,000
June 30, 2014	231,000	95.2%	186,000
June 30, 2015	271,000	96.7%	195,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)

Primary Government: (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	\$	4,210,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		4,210,000
Funded ratio (actuarial value of plan assets/AAL)		n/a
Covered payroll (active plan members)		8,423,000
UAAL as a percentage of covered payroll		49.98%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014, most recent actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.25% average investment rate of return (net of administrative expenses) and 2.50% payroll growth rate. Both rates include a 4.50% inflation assumption. The actuarial assumptions also included a 8.5% healthcare cost trend rate. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2014, was thirty years.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)

Discretely Presented Component Unit-School Board:

A. Plan Description

The City of Martinsville School Board post-retirement medical plan (CMSBPRMP) is a single-employer defined benefit healthcare plan which offers health insurance for retired employees. The plan is administered by the School Board. Retired employees, who were hired prior to July 1, 2005, who have participated in the School Board's medical program in the prior plan year and have attained 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 has no separate financial report.

B. Funding Policy

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The 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 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 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.

C. Annual OPEB Cost and Net OPEB Obligation

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation to the plan:

Annual required contribution	\$	64,000
Interest on net OPEB obligation		4,000
Adjustment to annual required contribution		(4,000)
Annual OPEB cost (expense)		<u>64,000</u>
Contributions made		<u>(59,000)</u>
Increase (decrease) in net OPEB obligation	\$	5,000
Net OPEB obligation - beginning of year		<u>85,000</u>
Net OPEB obligation - end of year	\$	<u><u>90,000</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)

Discretely Presented Component Unit-School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding two years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 63,000	128.6%	\$ 110,000
June 30, 2014	64,000	139.1%	85,000
June 30, 2015	64,000	92.2%	90,000

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	\$ 897,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	897,000
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	6,134,000
UAAL as a percentage of covered payroll	14.62%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)

Discretely Presented Component Unit-School Board: (Continued)

E. Actuarial Methods and Assumptions (Continued)

In the July 1, 2014, most recent actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.25% average investment rate of return (net of administrative expenses) and a 2.50% payroll growth rate. Both rates include a 4.50% inflation assumption. The actuarial assumptions also included a 8.5% healthcare cost trend rate. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012, was thirty years.

Note 17—VRS Health Insurance Credit Other Postemployment Benefits (OPEB):

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 14.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2015, 2014, and 2013 were \$129,252, \$133,646, and \$124,809, respectively and equaled the required contributions for each year.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 18—Commitments and Contingencies:

At June 30, 2015, the City had no major projects underway.

Note 19—Subsequent Event:

On November 19, 2015 the City entered into a \$7,425,000 Lease Purchase Agreement pursuant to a performance contract. The funds will be used for acquisition of new water meters, new electric meters and replacing old street lights.

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
Year Ended June 30, 2015

	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 8,749,900	\$ 8,749,900	\$ 9,083,158	\$ 333,258
Other local taxes	5,079,085	5,079,085	5,102,895	23,810
Permits, privilege fees and regulatory licenses	98,905	98,905	94,162	(4,743)
Fines and forfeitures	153,500	153,500	174,262	20,762
Revenue from use of money and property	629,766	629,766	630,440	674
Charges for services	925,954	956,679	960,746	4,067
Miscellaneous	234,628	237,767	233,458	(4,309)
Recovered costs	1,264,453	1,769,333	1,490,324	(279,009)
Intergovernmental:				
Commonwealth	8,791,907	9,061,359	8,988,494	(72,865)
Federal	67,540	1,999,851	222,667	(1,777,184)
Total revenues	\$ 25,995,638	\$ 28,736,145	\$ 26,980,606	\$ (1,755,539)
Expenditures:				
Current:				
General government administration	\$ 4,216,672	\$ 4,221,283	\$ 4,036,870	\$ 184,413
Judicial administration	2,252,980	2,307,096	2,144,310	162,786
Public safety	9,349,604	9,853,642	9,559,409	294,233
Public works	4,408,497	4,738,586	4,403,469	335,117
Health and welfare	725,436	731,860	725,947	5,913
Education	6,753,251	6,753,251	6,456,144	297,107
Parks, recreation, and cultural	1,078,416	1,310,542	1,185,463	125,079
Community development	2,104,692	2,253,427	2,265,000	(11,573)
Total expenditures	\$ 30,889,548	\$ 32,169,687	\$ 30,776,612	\$ 1,393,075
Excess (deficiency) of revenues over (under) expenditures	\$ (4,893,910)	\$ (3,433,542)	\$ (3,796,006)	\$ (362,464)
Other financing sources (uses):				
Transfers in	3,095,047	3,339,163	3,339,163	-
Changes in fund balances	\$ (1,798,863)	\$ (94,379)	\$ (456,843)	\$ (362,464)
Fund balances at beginning of year	1,798,863	94,379	7,631,461	7,537,082
Fund balances at end of year	\$ -	\$ -	\$ 7,174,618	\$ 7,174,618

Meals Tax Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
 Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Other local taxes	\$ 1,700,000	\$ 1,700,000	\$ 1,665,418	\$ (34,582)
Revenue from use of money and property	-	-	73	73
Intergovernmental:				
Federal	<u>366,792</u>	<u>366,792</u>	<u>366,397</u>	<u>(395)</u>
Total revenues	<u>\$ 2,066,792</u>	<u>\$ 2,066,792</u>	<u>\$ 2,031,888</u>	<u>\$ (34,904)</u>
Expenditures:				
Current:				
General government administration	\$ 50,782	\$ 50,782	\$ 50,782	\$ -
Education	-	157,623	131,399	26,224
Debt service:				
Principal retirement	940,096	940,096	940,096	-
Interest and other fiscal charges	<u>581,541</u>	<u>581,541</u>	<u>581,444</u>	<u>97</u>
Total expenditures	<u>\$ 1,572,419</u>	<u>\$ 1,730,042</u>	<u>\$ 1,703,721</u>	<u>\$ 26,321</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 494,373</u>	<u>\$ 336,750</u>	<u>\$ 328,167</u>	<u>\$ (8,583)</u>
Other financing sources (uses):				
Transfers (out)	<u>\$ (494,373)</u>	<u>\$ (494,373)</u>	<u>\$ (494,373)</u>	<u>\$ -</u>
Changes in fund balances	\$ -	\$ (157,623)	\$ (166,206)	\$ (8,583)
Fund balances at beginning of year	<u>-</u>	<u>157,623</u>	<u>992,055</u>	<u>834,432</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 825,849</u>	<u>\$ 825,849</u>

Schedule of Employer's Proportionate Share of the Net Pension Liability
June 30, 2015

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Employee 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					
2014	93.42%	\$ 18,187,446	\$ 12,223,869	148.79%	78.66%
Component Unit School Board (professional)					
2014	0.1646%	19,896,000	11,644,367	170.86%	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

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

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 56,141
Interest	284,255
Benefit payments, including refunds of employee contributions	<u>(342,606)</u>
Net change in total pension liability	\$ (2,210)
Total pension liability - beginning	<u>4,232,082</u>
Total pension liability - ending (a)	<u><u>\$ 4,229,872</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 119,537
Contributions - employee	25,188
Net investment income	399,239
Benefit payments, including refunds of employee contributions	(342,606)
Administrative expense	(2,295)
Other	<u>21</u>
Net change in plan fiduciary net position	\$ 199,084
Plan fiduciary net position - beginning	<u>2,630,334</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,829,418</u></u>
 School Division's net pension liability - ending (a) - (b)	 \$ 1,400,454
 Plan fiduciary net position as a percentage of the total pension liability	 66.89%
 Covered-employee payroll	 \$ 515,712
 School Division's net pension liability as a percentage of covered-employee payroll	 271.56%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Year Ended June 30, 2015

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Employee Payroll (4)</u>	<u>Contributions as a % of Covered Employee Payroll (5)</u>
Primary Government					
2015	\$ 2,290,963	\$ 2,290,963	\$ -	\$ 12,223,869	18.74%
Component Unit School Board (nonprofessional)					
2015	\$ 108,853	\$ 90,148	\$ 18,705	\$ 515,712	17.48%
Component Unit School Board (professional)					
2015	\$ 1,973,391	\$ 1,682,744	\$ 290,647	\$ 11,644,367	14.45%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
Year Ended June 30, 2015

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Schedule of OPEB Funding Progress

Last Three Fiscal Years

City - Other Postemployment Benefits

Actuarial Valuation Date*	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2)/(3)	Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2014	\$ -	\$ 4,210,000	\$ 4,210,000	0.00%	\$ 8,423,000	49.98%
7/1/2013	-	3,603,000	3,603,000	0.00%	8,996,000	40.05%
7/1/2012	-	3,603,000	3,603,000	0.00%	8,996,000	40.05%

Discretely Presented Component Unit - School Board - Other Postemployment Benefits

Actuarial Valuation Date*	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2)/(3)	Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2014	\$ -	\$ 897,000	\$ 897,000	0.00%	\$ 6,134,000	14.62%
7/1/2013	-	929,000	929,000	0.00%	6,365,000	14.60%
7/1/2012	-	929,000	929,000	0.00%	6,365,000	14.60%

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Other Supplementary Information

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Combining and Individual Fund Statements and Schedules

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Nonmajor Governmental Funds
 Combining Balance Sheet
 At June 30, 2015

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	
	<u>Housing Choice Fund</u>	<u>City Grants Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 53,448	\$ -	\$ 741,458	\$ 794,906
Total assets	<u>\$ 53,448</u>	<u>\$ -</u>	<u>\$ 741,458</u>	<u>\$ 794,906</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 325	\$ 34,824	\$ 43,993	\$ 79,142
Reconciled overdraft	<u>-</u>	<u>18,207</u>	<u>-</u>	<u>18,207</u>
Total liabilities	<u>\$ 325</u>	<u>\$ 53,031</u>	<u>\$ 43,993</u>	<u>\$ 97,349</u>
FUND BALANCES				
Committed:				
Housing choice program	\$ 53,123	\$ -	\$ -	\$ 53,123
Assigned:				
Capital reserve fund	-	-	697,465	697,465
Unassigned	<u>-</u>	<u>(53,031)</u>	<u>-</u>	<u>(53,031)</u>
Total fund balances	<u>\$ 53,123</u>	<u>\$ (53,031)</u>	<u>\$ 697,465</u>	<u>\$ 697,557</u>
Total liabilities and fund balances	<u>\$ 53,448</u>	<u>\$ -</u>	<u>\$ 741,458</u>	<u>\$ 794,906</u>

CITY OF MARTINSVILLE, VIRGINIA

Nonmajor Governmental Funds
 Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
 Year Ended June 30, 2015

	Special Revenue Funds			Variance From Final Budget Positive (Negative)
	Housing Choice Fund			
	Original Budget	Budget As Amended	Actual	
Revenues:				
Revenue from use of money and property	\$ 225	\$ 225	\$ 170	\$ (55)
Miscellaneous	3,300	3,300	403	(2,897)
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	1,941,000	1,941,000	1,326,734	(614,266)
Total revenues	\$ 1,944,525	\$ 1,944,525	\$ 1,327,307	\$ (617,218)
Expenditures:				
General government administration	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Community development	1,944,525	1,944,525	1,669,592	274,933
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	\$ 1,944,525	\$ 1,944,525	\$ 1,669,592	\$ 274,933
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (342,285)	\$ (342,285)
Other financing sources (uses):				
Transfers in	-	-	-	-
Changes in fund balances	\$ -	\$ -	\$ (342,285)	\$ (342,285)
Fund balances at beginning of year	-	-	395,408	395,408
Fund balances at end of year	\$ -	\$ -	\$ 53,123	\$ 53,123

City Grants Fund				Capital Projects Fund Capital Reserve Fund			
Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
\$ 26,966	\$ 26,966	\$ 18,696	\$ (8,270)	\$ -	\$ -	\$ 59	\$ 59
-	2,860	2,860	-	-	6,800	6,800	-
-	-	-	-	-	800,000	838,520	38,520
-	1,135,342	147,452	(987,890)	-	181,472	142,952	(38,520)
<u>\$ 26,966</u>	<u>\$ 1,165,168</u>	<u>\$ 169,008</u>	<u>\$ (996,160)</u>	<u>\$ -</u>	<u>\$ 988,272</u>	<u>\$ 988,331</u>	<u>\$ 59</u>
\$ -	\$ -	\$ -	\$ -	\$ 516,400	\$ 804,549	\$ 545,885	\$ 258,664
-	-	-	-	251,370	272,116	152,688	119,428
200	446,476	198,272	248,204	-	800,000	800,000	-
-	-	-	-	303,823	303,823	303,822	1
-	-	-	-	50,164	50,164	50,065	99
<u>\$ 200</u>	<u>\$ 446,476</u>	<u>\$ 198,272</u>	<u>\$ 248,204</u>	<u>\$ 1,121,757</u>	<u>\$ 2,230,652</u>	<u>\$ 1,852,460</u>	<u>\$ 378,192</u>
\$ 26,766	\$ 718,692	\$ (29,264)	\$ (747,956)	\$ (1,121,757)	\$ (1,242,380)	\$ (864,129)	\$ 378,251
-	-	-	-	1,101,757	1,101,757	1,101,757	-
\$ 26,766	\$ 718,692	\$ (29,264)	\$ (747,956)	\$ (20,000)	\$ (140,623)	\$ 237,628	\$ 378,251
(26,766)	(718,692)	(23,767)	694,925	20,000	140,623	459,837	319,214
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (53,031)</u>	<u>\$ (53,031)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 697,465</u>	<u>\$ 697,465</u>

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2015

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total</u>
	<u>City Grants Fund</u>	<u>Housing Choice Fund</u>	<u>Capital Reserve Fund</u>	
Revenues:				
Other local taxes				
Revenue from use of money and property	\$ 18,696	\$ 170	\$ 59	\$ 18,925
Miscellaneous	2,860	403	6,800	10,063
Intergovernmental:				
Commonwealth	-	-	838,520	838,520
Federal	147,452	1,326,734	142,952	1,617,138
Total revenues	<u>\$ 169,008</u>	<u>\$ 1,327,307</u>	<u>\$ 988,331</u>	<u>\$ 2,484,646</u>
Expenditures:				
General government administration	\$ -	\$ -	\$ 545,885	\$ 545,885
Public safety	-	-	152,688	152,688
Planning and community development	198,272	1,669,592	800,000	2,667,864
Debt service:				
Principal retirement	-	-	303,822	303,822
Interest and fiscal charges	-	-	50,065	50,065
Total expenditures	<u>\$ 198,272</u>	<u>\$ 1,669,592</u>	<u>\$ 1,852,460</u>	<u>\$ 3,720,324</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (29,264)</u>	<u>\$ (342,285)</u>	<u>\$ (864,129)</u>	<u>\$ (1,235,678)</u>
Other financing sources:				
Transfers in	-	-	1,101,757	1,101,757
Changes in fund balances	<u>\$ (29,264)</u>	<u>\$ (342,285)</u>	<u>\$ 237,628</u>	<u>\$ (133,921)</u>
Fund balances at beginning of year	<u>(23,767)</u>	<u>395,408</u>	<u>459,837</u>	<u>831,478</u>
Fund balances at end of year	<u><u>\$ (53,031)</u></u>	<u><u>\$ 53,123</u></u>	<u><u>\$ 697,465</u></u>	<u><u>\$ 697,557</u></u>

Combining Statement of Fiduciary Net Position -
 Agency Funds
 At June 30, 2015

	<u>Insurance Trust Fund</u>	<u>Inmate Welfare Fund</u>	<u>Police Academy Fund</u>	<u>Southern Virginia Recreation Facility Authority Fund</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 266,876	\$ 210,206	\$ 438,660	\$ 19,100	934,842
Total assets	<u>\$ 266,876</u>	<u>\$ 210,206</u>	<u>\$ 438,660</u>	<u>\$ 19,100</u>	<u>934,842</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 8,381	\$ 10,658	19,039
Amounts held for others	<u>266,876</u>	<u>210,206</u>	<u>430,279</u>	<u>8,442</u>	<u>915,803</u>
Total liabilities	<u>\$ 266,876</u>	<u>\$ 210,206</u>	<u>\$ 438,660</u>	<u>\$ 19,100</u>	<u>934,842</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Insurance Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 448,745	\$ 4,231,415	\$ 4,413,284	\$ 266,876
Total assets	<u>\$ 448,745</u>	<u>\$ 4,231,415</u>	<u>\$ 4,413,284</u>	<u>\$ 266,876</u>
Liabilities:				
Amounts held for others	\$ 448,745	\$ 4,231,415	\$ 4,413,284	\$ 266,876
Total liabilities	<u>\$ 448,745</u>	<u>\$ 4,231,415</u>	<u>\$ 4,413,284</u>	<u>\$ 266,876</u>
Inmate Welfare Funds:				
Assets:				
Cash and cash equivalents	\$ 161,419	\$ 221,071	\$ 172,284	\$ 210,206
Total assets	<u>\$ 161,419</u>	<u>\$ 221,071</u>	<u>\$ 172,284</u>	<u>\$ 210,206</u>
Liabilities:				
Accounts payable	\$ 128	\$ -	\$ 128	\$ -
Amounts held for others	161,291	48,915	-	210,206
Total liabilities	<u>\$ 161,419</u>	<u>\$ 48,915</u>	<u>\$ 128</u>	<u>\$ 210,206</u>
Police Academy Fund:				
Assets:				
Cash and cash equivalents	\$ 504,519	\$ 279,922	\$ 345,781	\$ 438,660
Total assets	<u>\$ 504,519</u>	<u>\$ 279,922</u>	<u>\$ 345,781</u>	<u>\$ 438,660</u>
Liabilities:				
Accounts payable	\$ 10,929	\$ 8,381	\$ 10,929	\$ 8,381
Amounts held for others	493,590	271,541	334,852	430,279
Total liabilities	<u>\$ 504,519</u>	<u>\$ 279,922</u>	<u>\$ 345,781</u>	<u>\$ 438,660</u>
Southern Virginia Recreation Facilities Authority:				
Assets:				
Cash and cash equivalents	\$ 70,783	\$ 644,757	\$ 696,440	\$ 19,100
Total assets	<u>\$ 70,783</u>	<u>\$ 644,757</u>	<u>\$ 696,440</u>	<u>\$ 19,100</u>
Liabilities:				
Accounts payable	\$ 26,182	\$ 10,658	\$ 26,182	\$ 10,658
Amounts held for others	44,601	634,099	670,258	8,442
Total liabilities	<u>\$ 70,783</u>	<u>\$ 644,757</u>	<u>\$ 696,440</u>	<u>\$ 19,100</u>
Total -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 1,185,466	\$ 5,377,165	\$ 5,627,789	\$ 934,842
Total assets	<u>\$ 1,185,466</u>	<u>\$ 5,377,165</u>	<u>\$ 5,627,789</u>	<u>\$ 934,842</u>
Liabilities:				
Accounts payable	\$ 37,239	\$ 19,039	\$ 37,239	\$ 19,039
Amounts held for others	1,148,227	5,185,970	5,418,394	915,803
Total liabilities	<u>\$ 1,185,466</u>	<u>\$ 5,205,009</u>	<u>\$ 5,455,633</u>	<u>\$ 934,842</u>

Discretely Presented Component Unit—School Board

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Combining Balance Sheet
Discretely Presented Component Unit -- School Board
At June 30, 2015

	School Operating Fund	School Cafeteria Fund	School Grants Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 1,385,367	\$ 998,400	\$ -	\$ 2,383,767
Accounts receivable	1,267	28,334	-	29,601
Due from other governments	400,230	-	264,587	664,817
Due from other funds	224,059	-	-	224,059
	<u>2,010,923</u>	<u>1,026,734</u>	<u>264,587</u>	<u>3,302,244</u>
Total assets	\$ 2,010,923	\$ 1,026,734	\$ 264,587	\$ 3,302,244
LIABILITIES				
Accounts payable	\$ 1,012,866	\$ 39,440	\$ 27,973	\$ 1,080,279
Unearned revenue	59,193	-	-	59,193
Accrued liabilities	938,864	21,725	93,595	1,054,184
Due to other funds	-	-	224,059	224,059
	<u>-</u>	<u>-</u>	<u>224,059</u>	<u>224,059</u>
Total liabilities	\$ 2,010,923	\$ 61,165	\$ 345,627	\$ 2,417,715
FUND BALANCES				
Committed:				
School food program	\$ -	\$ 965,569	\$ -	\$ 965,569
Education	-	-	(81,040)	(81,040)
	<u>-</u>	<u>965,569</u>	<u>(81,040)</u>	<u>884,529</u>
Total fund balances	\$ -	\$ 965,569	\$ (81,040)	\$ 884,529
Total liabilities and fund balances	\$ 2,010,923	\$ 1,026,734	\$ 264,587	\$ 3,302,244

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

Total Fund balances, above	\$ 884,529
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	10,176,156
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Items related to the measurement of net pension liability	(3,130,697)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	1,772,892
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	(21,296,454)
Changes in proportionate share of employer contributions to the cost-sharing pension plan	912,000
Net OPEB obligation	(90,000)
Net position of General Government Activities	<u>\$ (10,771,574)</u>

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

	<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	\$ 60,764	\$ 213	\$ -	\$ 60,977
Charges for services	3,200	423,553	-	426,753
Miscellaneous	90,875	-	-	90,875
Recovered costs	435,398	-	-	435,398
Intergovernmental:				
Local government	6,438,424	-	-	6,438,424
Commonwealth	15,304,774	29,355	-	15,334,129
Federal	20,567	1,162,862	2,469,311	3,652,740
	<u>22,354,002</u>	<u>1,615,983</u>	<u>2,469,311</u>	<u>26,439,296</u>
Total revenues	\$ <u>22,354,002</u>	\$ <u>1,615,983</u>	\$ <u>2,469,311</u>	\$ <u>26,439,296</u>
Expenditures:				
Current:				
Education	\$ <u>22,354,002</u>	\$ <u>1,450,006</u>	\$ <u>2,541,897</u>	\$ <u>26,345,905</u>
Total expenditures	\$ <u>22,354,002</u>	\$ <u>1,450,006</u>	\$ <u>2,541,897</u>	\$ <u>26,345,905</u>
Changes in fund balances	\$ -	\$ 165,977	\$ (72,586)	\$ 93,391
Fund balances at beginning of year	<u>-</u>	<u>799,592</u>	<u>(8,454)</u>	<u>791,138</u>
Fund balances at end of year	<u><u>-</u></u>	<u><u>965,569</u></u>	<u><u>(81,040)</u></u>	<u><u>884,529</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
 Year Ended June 30, 2015

Net changes in fund balances - total governmental funds	\$ 93,391
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period computed as follows:</p>	
Capital outlays	999,632
Depreciation expense	(514,958)
<p>School Board capital assets are jointly owned by the City and School Board. The City share of School Board capital assets is in proportion to the debt owed on such by the City. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship reduced the transfers to the School Board.</p>	
	905,980
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.</p>	
Increase (decrease) in deferred inflows related to the measurement of the net pension liability	(3,130,697)
<p>Pension contributions subsequent to the measurement date will be a reduction in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.</p>	
	247,355
<p>Details supporting this adjustment are as follows:</p>	
Decrease in net pension liability	1,873,294
Increase in deferred outflow - pension related items	912,000
Net OPEB obligation	<u>(5,000)</u>
Changes in net position of governmental activities	<u>\$ 1,380,997</u>

CITY OF MARTINSVILLE, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- Discretely Presented Component Unit - School Board
 Year Ended June 30, 2015

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
Revenue from use of money and property	\$ 40,000	\$ 62,365	\$ 60,764	\$ (1,601)
Charges for services	5,000	5,000	3,200	(1,800)
Miscellaneous	-	130,000	90,875	(39,125)
Recovered costs	490,908	490,908	435,398	(55,510)
Intergovernmental:				
Local government	6,735,531	6,735,531	6,438,424	(297,107)
Commonwealth	14,915,347	15,244,136	15,304,774	60,638
Federal	35,658	35,658	20,567	(15,091)
Total revenues	\$ 22,222,444	\$ 22,703,598	\$ 22,354,002	\$ (349,596)
Expenditures:				
Current:				
Education	\$ 22,222,444	\$ 22,899,604	\$ 22,354,002	\$ 545,602
Total expenditures	\$ 22,222,444	\$ 22,899,604	\$ 22,354,002	\$ 545,602
Changes in fund balances	\$ -	\$ (196,006)	\$ -	\$ 196,006
Fund balances at beginning of year	-	196,006	-	(196,006)
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)
\$ 800	\$ 800	\$ 213	\$ (587)	\$ -	\$ -	\$ -	\$ -
450,000	450,000	423,553	(26,447)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
34,082	34,082	29,355	(4,727)	-	-	-	-
1,022,000	1,022,000	1,162,862	140,862	-	3,457,998	2,469,311	(988,687)
<u>\$ 1,506,882</u>	<u>\$ 1,506,882</u>	<u>\$ 1,615,983</u>	<u>\$ 109,101</u>	<u>\$ -</u>	<u>\$ 3,457,998</u>	<u>\$ 2,469,311</u>	<u>\$ (988,687)</u>
<u>\$ 1,526,882</u>	<u>\$ 1,526,882</u>	<u>\$ 1,450,006</u>	<u>\$ 76,876</u>	<u>\$ -</u>	<u>\$ 3,457,998</u>	<u>\$ 2,541,897</u>	<u>\$ 916,101</u>
<u>\$ 1,526,882</u>	<u>\$ 1,526,882</u>	<u>\$ 1,450,006</u>	<u>\$ 76,876</u>	<u>\$ -</u>	<u>\$ 3,457,998</u>	<u>\$ 2,541,897</u>	<u>\$ 916,101</u>
<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ 165,977</u>	<u>\$ 185,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (72,586)</u>	<u>\$ (72,586)</u>
<u>20,000</u>	<u>20,000</u>	<u>799,592</u>	<u>779,592</u>	<u>-</u>	<u>-</u>	<u>(8,454)</u>	<u>(8,454)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 965,569</u>	<u>\$ 965,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (81,040)</u>	<u>\$ (81,040)</u>

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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
 Year Ended June 30, 2015

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	\$ 6,653,900	\$ 6,653,900	\$ 6,795,425	\$ 141,525
Real and personal public service corporation taxes	253,000	253,000	260,878	7,878
Personal property taxes	685,000	685,000	729,632	44,632
Business equipment	850,000	850,000	868,958	18,958
Machinery and tools taxes	138,000	138,000	170,267	32,267
Penalties	100,000	100,000	135,005	35,005
Interest and costs	70,000	70,000	122,993	52,993
	<u>\$ 8,749,900</u>	<u>\$ 8,749,900</u>	<u>\$ 9,083,158</u>	<u>\$ 333,258</u>
Total general property taxes				
Other local taxes:				
Local sales and use taxes	\$ 1,900,000	\$ 1,900,000	\$ 1,921,102	\$ 21,102
Consumers' utility taxes	710,660	710,660	678,862	(31,798)
Business license tax	1,685,000	1,685,000	1,607,168	(77,832)
Franchise license taxes	20,000	20,000	20,000	-
Motor vehicle licenses	322,000	322,000	327,712	5,712
Bank franchise tax	230,000	230,000	330,143	100,143
Taxes on recordation and wills	40,000	40,000	40,988	988
Grantor tax	11,000	11,000	11,350	350
Cigarette tax	145,000	145,000	146,676	1,676
Rental tax	425	425	446	21
Transient room tax	15,000	15,000	18,448	3,448
	<u>\$ 5,079,085</u>	<u>\$ 5,079,085</u>	<u>\$ 5,102,895</u>	<u>\$ 23,810</u>
Total other local taxes				
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 4,025	\$ (975)
Other permits and licenses	93,905	93,905	90,137	(3,768)
	<u>\$ 98,905</u>	<u>\$ 98,905</u>	<u>\$ 94,162</u>	<u>\$ (4,743)</u>
Total permits, privilege fees and regulatory licenses				
Fines and Forfeitures:				
Court fines and forfeitures	\$ 150,000	\$ 150,000	\$ 166,667	\$ 16,667
Other fines and forfeitures	3,500	3,500	7,595	4,095
	<u>\$ 153,500</u>	<u>\$ 153,500</u>	<u>\$ 174,262</u>	<u>\$ 20,762</u>
Total fines and forfeitures				

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2015 (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	\$ 15,500	\$ 15,500	\$ 14,217	\$ (1,283)
Revenue from use of property	614,266	614,266	616,223	1,957
Total revenue from use of money and property	<u>\$ 629,766</u>	<u>\$ 629,766</u>	<u>\$ 630,440</u>	<u>\$ 674</u>
Charges for services:				
Sheriff fees	\$ 3,624	\$ 3,624	\$ 3,625	\$ 1
Courthouse maintenance fees	11,000	11,000	10,449	(551)
Court appointed attorney fees	8,000	8,000	9,619	1,619
Court house security fees	23,000	23,000	22,590	(410)
Ambulance Fees	425,000	425,000	451,098	26,098
Document reproduction fee	3,000	3,000	2,132	(868)
Remote access fee	3,500	3,500	7,390	3,890
Commonwealth attorney fees	2,500	2,500	3,081	581
Other public safety fees	6,650	6,650	7,723	1,073
Recreation fees	16,100	16,100	13,847	(2,253)
Prison farm labor / street maintenance	24,000	24,000	24,000	-
Telecom services	379,580	410,305	343,457	(66,848)
Other charges for services	20,000	20,000	61,735	41,735
Total charges for services	<u>\$ 925,954</u>	<u>\$ 956,679</u>	<u>\$ 960,746</u>	<u>\$ 4,067</u>
Miscellaneous revenue:				
Payment in lieu of tax	\$ 196,628	\$ 196,628	\$ 196,628	\$ -
Other miscellaneous revenue	38,000	41,139	36,830	(4,309)
Total miscellaneous revenue	<u>\$ 234,628</u>	<u>\$ 237,767</u>	<u>\$ 233,458</u>	<u>\$ (4,309)</u>
Recovered costs:				
WW Moore	\$ 32,000	\$ 32,000	\$ 61,738	\$ 29,738
SSI / LIDS	2,700	2,700	-	(2,700)
Circuit court	1,250	1,250	834	(416)
Meals tax administration	50,782	50,782	50,782	-
Street maintenance overhead	250,000	250,000	329,969	79,969
Demolition	5,000	5,000	2,990	(2,010)
Advance / recovered cost	100,000	440,629	400,998	(39,631)
Health department	1,000	1,000	1,149	149
Juror and witness	12,000	12,000	4,140	(7,860)
Medical co-pay reimbursement	6,000	6,000	5,398	(602)
Treasurer	12,000	12,000	15,119	3,119
Project lifesaver	1,300	1,300	1,510	210

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2015 (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	\$ 5,000	\$ 5,000	\$ 1,093	\$ (3,907)
Telecom recovered costs	-	54,029	59,065	5,036
Collection expense	28,159	28,159	28,159	-
Billing expense	486,313	486,313	106,545	(379,768)
Safety expense	97,708	97,708	97,708	-
Communication	23,796	23,796	23,796	-
Central garage	112,320	211,194	250,268	39,074
Senior citizens	6,500	17,848	18,751	903
Social services	23,525	23,525	23,526	1
Program income	1,000	1,000	1,248	248
Senior citizens - transportation	2,500	2,500	1,938	(562)
Fiscal agent fees - regional library	3,600	3,600	3,600	-
Total recovered costs	<u>\$ 1,264,453</u>	<u>\$ 1,769,333</u>	<u>\$ 1,490,324</u>	<u>\$ (279,009)</u>
Total revenue from local sources	<u>\$ 17,136,191</u>	<u>\$ 17,674,935</u>	<u>\$ 17,769,445</u>	<u>\$ 94,510</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 9,000	\$ 9,000	\$ 9,184	\$ 184
Recordation tax	15,000	15,000	14,046	(954)
PPTRA	626,428	626,428	626,428	-
Communications tax	920,000	920,000	911,387	(8,613)
Auto rental tax	55,000	55,000	68,943	13,943
Total noncategorical aid	<u>\$ 1,625,428</u>	<u>\$ 1,625,428</u>	<u>\$ 1,629,988</u>	<u>\$ 4,560</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 469,250	\$ 477,096	\$ 479,768	\$ 2,672
Sheriff	1,813,309	1,813,309	1,807,224	(6,085)
Commissioner of the Revenue	100,046	100,046	100,637	591
Treasurer	76,976	76,976	76,675	(301)
Registrar/electoral board	38,000	38,000	36,271	(1,729)
Clerk of the circuit court	268,467	268,467	287,085	18,618
Total shared expenses	<u>\$ 2,766,048</u>	<u>\$ 2,773,894</u>	<u>\$ 2,787,660</u>	<u>\$ 13,766</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2015 (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	\$ 11,000	\$ 11,000	\$ 12,895	\$ 1,895
Confiscated assets	-	20,599	20,599	-
Victim witness	71,071	71,071	45,752	(25,319)
House Bill # 599 - police	841,560	841,560	841,560	-
EMS two for life	10,000	11,239	11,239	-
Fire grant	30,000	37,358	43,787	6,429
Street maintenance	3,028,335	3,060,689	3,060,689	-
Jail per diem	300,000	300,000	324,076	24,076
Comprehensive services	108,189	108,189	107,481	(708)
Street construction	-	192,634	78,414	(114,220)
Other categorical aid	276	7,698	24,354	16,656
Total other categorical aid	\$ 4,400,431	\$ 4,662,037	\$ 4,570,846	\$ (91,191)
Total categorical aid	\$ 7,166,479	\$ 7,435,931	\$ 7,358,506	\$ (77,425)
Total revenue from the Commonwealth	\$ 8,791,907	\$ 9,061,359	\$ 8,988,494	\$ (72,865)
Revenue from the federal government:				
Categorical aid:				
Victim witness	\$ -	\$ -	\$ 27,451	\$ 27,451
Confiscated assets	-	21,662	21,643	(19)
DMV grant - police	18,000	18,000	21,070	3,070
Senior citizens	15,000	15,000	14,498	(502)
Viper overtime grant	9,000	9,000	9,908	908
Bulletproof vest grant	-	2,230	2,230	-
National guard readiness center	23,040	23,040	7,581	(15,459)
Street construction	-	1,900,919	114,219	(1,786,700)
FEMA	-	7,500	3,680	(3,820)
Other categorical aid	2,500	2,500	387	(2,113)
Total categorical aid	\$ 67,540	\$ 1,999,851	\$ 222,667	\$ (1,777,184)
Total revenue from the Federal Government	\$ 67,540	\$ 1,999,851	\$ 222,667	\$ (1,777,184)
Total General Fund	\$ 25,995,638	\$ 28,736,145	\$ 26,980,606	\$ (1,755,539)
Special Revenue Funds:				
City Grants Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 475	\$ 475	\$ 585	\$ 110
Revenue from use of property	26,491	26,491	18,111	(8,380)
Total revenue from use of money and property	\$ 26,966	\$ 26,966	\$ 18,696	\$ (8,270)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2015 (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)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Other miscellaneous revenue	\$ -	\$ 2,860	\$ 2,860	\$ -
Total revenue from local sources	<u>\$ 26,966</u>	<u>\$ 29,826</u>	<u>\$ 21,556</u>	<u>\$ (8,270)</u>
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Uptown planning grant	\$ -	\$ 100,439	\$ 100,438	\$ (1)
Northside neighborhood planning grant	-	943,904	12,014	(931,890)
NCI community improvement grant	-	90,999	35,000	(55,999)
Total revenue from the Federal Government	<u>\$ -</u>	<u>\$ 1,135,342</u>	<u>\$ 147,452</u>	<u>\$ (987,890)</u>
Total City Grants Fund	<u><u>\$ 26,966</u></u>	<u><u>\$ 1,165,168</u></u>	<u><u>\$ 169,008</u></u>	<u><u>\$ (996,160)</u></u>
Housing Choice Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 225	\$ 225	\$ 170	\$ (55)
Total revenue from use of money and property	<u>\$ 225</u>	<u>\$ 225</u>	<u>\$ 170</u>	<u>\$ (55)</u>
Miscellaneous revenue:				
Fraud recoveries	\$ 3,000	\$ 3,000	\$ 403	\$ (2,597)
Other recovered costs	300	300	-	(300)
Total miscellaneous revenue	<u>\$ 3,300</u>	<u>\$ 3,300</u>	<u>\$ 403</u>	<u>\$ (2,897)</u>
Total revenue from local sources	<u>\$ 3,525</u>	<u>\$ 3,525</u>	<u>\$ 573</u>	<u>\$ (2,952)</u>
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Housing assistance	\$ 1,715,000	\$ 1,715,000	\$ 1,102,435	\$ (612,565)
Moderate rehab. assistance	50,000	50,000	35,241	(14,759)
Other federal assistance	176,000	176,000	189,058	13,058
Total revenue from the Federal Government	<u>\$ 1,941,000</u>	<u>\$ 1,941,000</u>	<u>\$ 1,326,734</u>	<u>\$ (614,266)</u>
Total Housing Choice Fund	<u><u>\$ 1,944,525</u></u>	<u><u>\$ 1,944,525</u></u>	<u><u>\$ 1,327,307</u></u>	<u><u>\$ (617,218)</u></u>
Total Special Revenue Funds	<u><u>\$ 1,971,491</u></u>	<u><u>\$ 3,109,693</u></u>	<u><u>\$ 1,496,315</u></u>	<u><u>\$ (1,613,378)</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2015 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Funds:				
Capital Reserve Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 59	\$ 59
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 6,800	\$ 6,800	\$ -
Total revenue from local sources	\$ -	\$ 6,800	\$ 6,859	\$ 59
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Hazard mitigation grant	\$ -	\$ -	\$ 38,520	\$ 38,520
Tobacco commission	-	800,000	800,000	-
Total revenue from the Commonwealth	\$ -	\$ 800,000	\$ 838,520	\$ 38,520
Revenue from the federal government:				
Categorical aid:				
Hazard mitigation grant	\$ -	\$ 179,460	\$ 140,940	\$ (38,520)
SCAAP	-	2,012	2,012	-
Total revenue from the Federal Government	\$ -	\$ 181,472	\$ 142,952	\$ (38,520)
Total Capital Reserve Fund	\$ -	\$ 988,272	\$ 988,331	\$ 59
Meals Tax Fund:				
Revenue from local sources:				
Other local taxes:				
Meals taxes	\$ 1,700,000	\$ 1,700,000	\$ 1,665,418	\$ (34,582)
Revenue from use of money and property:				
Revenue from use of money	-	-	73	73
Total revenue from local sources	\$ 1,700,000	\$ 1,700,000	\$ 1,665,491	\$ (34,509)
Intergovernmental:				
Revenue from the Federal Government				
Categorical aid:				
QSCB tax credit	\$ 366,792	\$ 366,792	\$ 366,397	\$ (395)
Total revenue from the Federal Government	\$ 366,792	\$ 366,792	\$ 366,397	\$ (395)
Total Meals Tax Fund	\$ 2,066,792	\$ 2,066,792	\$ 2,031,888	\$ (34,904)
Total Capital Projects Funds	\$ 2,066,792	\$ 3,055,064	\$ 3,020,219	\$ (34,845)
Total Revenues -- Primary Government	\$ 30,033,921	\$ 34,900,902	\$ 31,497,140	\$ (3,403,762)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2015 (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	\$ 40,000	\$ 62,365	\$ 60,764	\$ (1,601)
Charges for services:				
Tuition and other charges for services	\$ 5,000	\$ 5,000	\$ 3,200	\$ (1,800)
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ 130,000	\$ 90,875	\$ (39,125)
Recovered costs:				
Recovered costs	\$ 490,908	\$ 490,908	\$ 435,398	\$ (55,510)
Total revenue from local sources	\$ 535,908	\$ 688,273	\$ 590,237	\$ (98,036)
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Martinsville, Virginia	\$ 6,735,531	\$ 6,735,531	\$ 6,438,424	\$ (297,107)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,923,126	\$ 1,926,026	\$ 1,928,089	\$ 2,063
Basic school aid	7,170,602	7,259,042	7,261,785	2,743
Share of fringe benefits - Fica	473,375	478,329	478,594	265
Share of fringe benefits - VRS	963,302	973,383	973,922	539
English as a second language	78,488	83,817	83,817	-
Group life insurance benefits	29,793	30,105	30,121	16
Regional tuition special education	86,764	117,915	132,596	14,681
Early reading intervention	56,722	91,248	138,589	47,341
Vocational SOQ payments	145,654	147,178	147,260	82
Special education - basic	974,226	983,418	996,883	13,465
At risk students	644,377	651,136	651,586	450
Homebound education	16,463	15,232	15,232	-
Remedial education	151,398	181,452	181,452	-
Remediation SOQ payments	508,134	513,451	513,736	285
Reduced K-3	700,123	720,011	720,011	-
Preschool initiative	311,369	312,676	312,676	-
Textbooks	159,259	160,926	161,015	89
Technology	227,825	242,056	240,299	(1,757)
Other state funds	294,347	356,735	337,111	(19,624)
Total categorical aid	\$ 14,915,347	\$ 15,244,136	\$ 15,304,774	\$ 60,638
Total revenue from the Commonwealth	\$ 14,915,347	\$ 15,244,136	\$ 15,304,774	\$ 60,638

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2015 (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)				
Revenue from the federal government:				
Categorical aid:				
NASA program	\$ -	\$ -	\$ 15,959	\$ 15,959
Other federal categorical aid	35,658	35,658	4,608	(31,050)
Total categorical aid	\$ 35,658	\$ 35,658	\$ 20,567	\$ (15,091)
Total revenue from the federal government	\$ 35,658	\$ 35,658	\$ 20,567	\$ (15,091)
Total School Operating Fund	\$ 22,222,444	\$ 22,703,598	\$ 22,354,002	\$ (349,596)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 800	\$ 800	\$ 213	\$ (587)
Charges for services:				
Cafeteria sales	\$ 450,000	\$ 450,000	\$ 423,553	\$ (26,447)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 34,082	\$ 34,082	\$ 29,355	\$ (4,727)
Revenue from the federal government:				
Categorical aid:				
School food	\$ 1,022,000	\$ 1,022,000	\$ 1,162,862	\$ 140,862
Total School Cafeteria Fund	\$ 1,506,882	\$ 1,506,882	\$ 1,615,983	\$ 109,101
School Grants Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ -	\$ 1,034,136	\$ 1,113,285	\$ 79,149
Title II - teacher quality	-	121,656	169,932	48,276
Title III - language acquisition grant	-	10,967	6,183	(4,784)
School improvement	-	1,583,744	480,419	(1,103,325)
Special education - flow through	-	513,895	477,689	(36,206)
Special education - preschool	-	5,722	5,383	(339)
Special education - math supplement	-	3,483	3,483	-
Perkins vocational education	-	58,798	57,723	(1,075)
21st Century Title IV-B	-	125,597	155,214	29,617
Total revenue from the federal government	\$ -	\$ 3,457,998	\$ 2,469,311	\$ (988,687)
Total School Grants Fund	\$ -	\$ 3,457,998	\$ 2,469,311	\$ (988,687)
Total Revenues--Component Unit - School Board	\$ 23,729,326	\$ 27,668,478	\$ 26,439,296	\$ (1,229,182)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2015

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	\$ 38,731	\$ 38,731	\$ 41,773	\$ (3,042)
General and Financial Administration:				
Clerk of council	\$ 1,671	\$ 1,671	\$ 1,363	\$ 308
City attorney	93,599	93,599	116,238	(22,639)
City manager's office	257,568	257,568	249,139	8,429
Assistant city manager	15,811	15,811	16,294	(483)
Legal services	15,500	15,500	5,000	10,500
Human resources	199,285	203,385	200,130	3,255
Employment services	390,390	386,290	329,991	56,299
Communications	23,751	23,751	16,527	7,224
Commissioner of the Revenue	428,312	435,853	429,332	6,521
Assessor	7,446	4,516	4,454	62
Treasurer	273,684	273,684	278,362	(4,678)
Finance director	135,960	135,960	121,606	14,354
Accounting	231,148	231,148	219,595	11,553
Utility billing	486,316	486,316	427,668	58,648
Information services	402,274	402,274	390,805	11,469
Central garage	513,904	513,904	497,731	16,173
Purchasing	172,600	172,600	170,014	2,586
Risk management	268,511	268,511	190,666	77,845
General expenses	116,657	116,657	215,624	(98,967)
Total general and financial administration	\$ 4,034,387	\$ 4,038,998	\$ 3,880,539	\$ 158,459
Board of Elections:				
Electoral board and officials	\$ 22,162	\$ 22,162	\$ 16,024	\$ 6,138
Registrar	121,392	121,392	98,534	22,858
Total board of elections	\$ 143,554	\$ 143,554	\$ 114,558	\$ 28,996
Total general government administration	\$ 4,216,672	\$ 4,221,283	\$ 4,036,870	\$ 184,413
Judicial Administration:				
Courts:				
Circuit court	\$ 97,954	\$ 97,954	\$ 82,143	\$ 15,811
General district court	32,375	32,375	16,396	15,979
Juvenile and domestic relations court	8,180	8,180	7,498	682
Clerk of the circuit court	400,417	400,417	398,870	1,547
Sheriff - courts	967,653	993,775	919,692	74,083
Total Courts	\$ 1,506,579	\$ 1,532,701	\$ 1,424,599	\$ 108,102

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2015 (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	\$ 672,509	\$ 700,503	\$ 645,501	\$ 55,002
Victim witness program	73,892	73,892	74,210	(318)
Total Commonwealth attorney	<u>\$ 746,401</u>	<u>\$ 774,395</u>	<u>\$ 719,711</u>	<u>\$ 54,684</u>
Total judicial administration	<u>\$ 2,252,980</u>	<u>\$ 2,307,096</u>	<u>\$ 2,144,310</u>	<u>\$ 162,786</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	\$ 4,002,826	\$ 4,236,989	\$ 3,982,205	\$ 254,784
Transportation safety commission	1,500	1,500	930	570
Total law enforcement and traffic control	<u>\$ 4,004,326</u>	<u>\$ 4,238,489</u>	<u>\$ 3,983,135</u>	<u>\$ 255,354</u>
Fire and Rescue Services:				
Fire services	\$ 1,891,192	\$ 1,973,730	\$ 2,008,391	\$ (34,661)
Emergency medical services	197,227	224,333	192,740	31,593
Total fire and rescue services	<u>\$ 2,088,419</u>	<u>\$ 2,198,063</u>	<u>\$ 2,201,131</u>	<u>\$ (3,068)</u>
Correction and Detention:				
Sheriff -corrections	\$ 2,476,225	\$ 2,566,604	\$ 2,620,796	\$ (54,192)
Sheriff -jail annex	165,590	166,942	166,716	226
Probation office	268,453	268,453	270,449	(1,996)
Total correction and detention	<u>\$ 2,910,268</u>	<u>\$ 3,001,999</u>	<u>\$ 3,057,961</u>	<u>\$ (55,962)</u>
Inspections:				
Building and other	\$ 249,272	\$ 310,272	\$ 211,113	\$ 99,159
Other Protection:				
Safety	\$ 97,319	\$ 104,819	\$ 106,069	\$ (1,250)
Total public safety	<u>\$ 9,349,604</u>	<u>\$ 9,853,642</u>	<u>\$ 9,559,409</u>	<u>\$ 294,233</u>
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Director of public works	\$ 144,685	\$ 144,685	\$ 138,540	\$ 6,145
Engineering	106,864	106,864	111,005	(4,141)
Street maintenance	1,977,751	2,192,473	2,118,159	74,314
Street marking and signs	198,355	186,355	172,678	13,677
Traffic signals	365,232	355,232	355,722	(490)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2015 (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	\$ 486,997	\$ 346,997	\$ 317,817	\$ 29,180
VDOT reserve	25,000	25,000	-	25,000
Street construction	423,299	423,299	316,642	106,657
Thoroughfare construction	50,000	276,310	196,044	80,266
	<u>3,778,183</u>	<u>4,057,215</u>	<u>3,726,607</u>	<u>330,608</u>
Total maintenance of highways, streets, bridges and sidewalks				
	<u>\$ 3,778,183</u>	<u>\$ 4,057,215</u>	<u>\$ 3,726,607</u>	<u>\$ 330,608</u>
Maintenance of buildings and grounds:				
Uptown maintenance	\$ 45,510	\$ 45,510	\$ 43,887	\$ 1,623
City hall maintenance	433,912	433,912	430,246	3,666
Warehouse / garage complex	104,800	104,800	105,449	(649)
WPBDC building	38,972	38,972	37,902	1,070
Housing services building	7,120	7,120	8,229	(1,109)
Public health center	-	51,057	51,149	(92)
	<u>630,314</u>	<u>681,371</u>	<u>676,862</u>	<u>4,509</u>
Total maintenance of buildings and grounds				
	<u>\$ 630,314</u>	<u>\$ 681,371</u>	<u>\$ 676,862</u>	<u>\$ 4,509</u>
Total public works				
	<u>\$ 4,408,497</u>	<u>\$ 4,738,586</u>	<u>\$ 4,403,469</u>	<u>\$ 335,117</u>
Health and Welfare				
Health:				
Contribution to local health department	\$ 203,010	\$ 209,434	\$ 203,010	\$ 6,424
Mental Health and Mental Retardation:				
Chapter X board	\$ 56,432	\$ 56,432	\$ 56,432	\$ -
Welfare/Social Services:				
Comprehensive services	\$ 147,900	\$ 147,900	\$ 166,117	\$ (18,217)
Regional social services board	318,094	318,094	300,388	17,706
	<u>465,994</u>	<u>465,994</u>	<u>466,505</u>	<u>(511)</u>
Total welfare/social services				
	<u>\$ 465,994</u>	<u>\$ 465,994</u>	<u>\$ 466,505</u>	<u>\$ (511)</u>
Total health and welfare				
	<u>\$ 725,436</u>	<u>\$ 731,860</u>	<u>\$ 725,947</u>	<u>\$ 5,913</u>
Education:				
Contributions to community colleges	\$ 17,720	\$ 17,720	\$ 17,720	\$ -
Contributions to School Board Component Unit	6,735,531	6,735,531	6,438,424	297,107
	<u>6,753,251</u>	<u>6,753,251</u>	<u>6,456,144</u>	<u>297,107</u>
Total education				
	<u>\$ 6,753,251</u>	<u>\$ 6,753,251</u>	<u>\$ 6,456,144</u>	<u>\$ 297,107</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2015 (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	\$ 100,977	\$ 101,527	\$ 95,132	\$ 6,395
Park maintenance	274,763	274,763	221,862	52,901
Hooker field/Mustangs	92,018	311,106	306,185	4,921
Senior services	228,039	240,527	197,444	43,083
National Guard readiness center	92,968	92,968	75,189	17,779
Total parks and recreation	<u>\$ 788,765</u>	<u>\$ 1,020,891</u>	<u>\$ 895,812</u>	<u>\$ 125,079</u>
Library:				
Regional library	\$ 289,651	\$ 289,651	\$ 289,651	-
Total parks, recreation and cultural	<u>\$ 1,078,416</u>	<u>\$ 1,310,542</u>	<u>\$ 1,185,463</u>	<u>\$ 125,079</u>
Community Development:				
Planning and Community Development:				
Community Development	\$ 262,291	\$ 313,424	\$ 243,113	\$ 70,311
Telecom system	775,206	871,808	960,170	(88,362)
Planning and zoning	216,190	217,190	200,151	17,039
Other community development	-	-	4,501	(4,501)
Indoor Plumbing	50	50	41	9
Contributions to local organizations	843,199	843,199	849,268	(6,069)
Total planning and community development	<u>\$ 2,096,936</u>	<u>\$ 2,245,671</u>	<u>\$ 2,257,244</u>	<u>\$ (11,573)</u>
Cooperative Extension Program:				
Horticulture and family resources	\$ 7,756	\$ 7,756	\$ 7,756	-
Total community development	<u>\$ 2,104,692</u>	<u>\$ 2,253,427</u>	<u>\$ 2,265,000</u>	<u>\$ (11,573)</u>
Total General Fund	<u><u>\$ 30,889,548</u></u>	<u><u>\$ 32,169,687</u></u>	<u><u>\$ 30,776,612</u></u>	<u><u>\$ 1,393,075</u></u>
Special Revenue Funds:				
City Grants Fund:				
Community Development:				
Community development block grant	\$ 200	\$ 446,476	\$ 198,272	\$ 248,204
Total City Grants Fund	<u><u>\$ 200</u></u>	<u><u>\$ 446,476</u></u>	<u><u>\$ 198,272</u></u>	<u><u>\$ 248,204</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2015 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Housing Choice Fund:				
Community Development:				
Housing choice voucher program	\$ 1,944,525	\$ 1,944,525	\$ 1,669,592	\$ 274,933
Total Housing Choice Fund	\$ 1,944,525	\$ 1,944,525	\$ 1,669,592	\$ 274,933
Total Special Revenue Funds	\$ 1,944,725	\$ 2,391,001	\$ 1,867,864	\$ 523,137
Capital Projects Funds:				
Capital Reserve Fund:				
General Government Administration:				
ADP equipment - information services	\$ 130,000	\$ 148,099	\$ 79,541	\$ 68,558
Physical plant expansion	386,400	656,450	466,344	190,106
Total general government administration	\$ 516,400	\$ 804,549	\$ 545,885	\$ 258,664
Public Safety:				
Law Enforcement and Traffic Control:				
Police department - communication equipment	\$ 16,870	\$ 16,870	\$ 5,870	\$ 11,000
Police department - motor vehicles	62,000	75,800	50,391	25,409
Jail - motor vehicles	32,500	32,500	27,400	5,100
Street maintenance	113,000	113,000	35,794	77,206
Parks	22,000	22,000	21,625	375
Senior services	-	6,946	6,615	331
Total law enforcement and traffic control	\$ 246,370	\$ 267,116	\$ 147,695	\$ 119,421
Fire and Rescue Services:				
Fire services - tools and equipment	\$ 5,000	\$ 5,000	\$ 4,993	\$ 7
Total fire and rescue services	\$ 5,000	\$ 5,000	\$ 4,993	\$ 7
Total public safety	\$ 251,370	\$ 272,116	\$ 152,688	\$ 119,428
Community Development:				
Tobacco funds	\$ -	\$ 800,000	\$ 800,000	\$ -
Total community development	\$ -	\$ 800,000	\$ 800,000	\$ -
Debt service:				
Principal retirement	\$ 303,823	\$ 303,823	\$ 303,822	\$ 1
Interest and other debt costs	50,164	50,164	50,065	99
Total debt service	\$ 353,987	\$ 353,987	\$ 353,887	\$ 100
Total Capital Reserve Fund	\$ 1,121,757	\$ 2,230,652	\$ 1,852,460	\$ 378,192

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2015 (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	\$ 50,782	\$ 50,782	\$ 50,782	\$ -
Education:				
High School improvements	\$ -	\$ 157,623	\$ 131,399	\$ 26,224
Debt service:				
Principal retirement	\$ 940,096	\$ 940,096	\$ 940,096	\$ -
Interest and other debt costs	581,541	581,541	581,444	97
Total debt service	\$ 1,521,637	\$ 1,521,637	\$ 1,521,540	\$ 97
Total Meals Tax Fund	\$ 1,572,419	\$ 1,730,042	\$ 1,703,721	\$ 26,321
Total Capital Projects Funds	\$ 2,694,176	\$ 3,960,694	\$ 3,556,181	\$ 404,513
Total Expenditures - Primary Government	\$ 35,528,449	\$ 38,521,382	\$ 36,200,657	\$ 2,320,725
Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction	\$ 16,475,831	\$ 16,787,287	\$ 16,034,442	\$ 752,845
Administration, attendance and health	1,402,408	1,418,720	1,322,002	96,718
Pupil transportation	958,866	1,078,854	1,090,245	(11,391)
Operation and maintenance of school plant	2,348,508	2,577,912	2,736,341	(158,429)
Technology	1,036,831	1,036,831	1,170,973	(134,142)
Total operating costs	\$ 22,222,444	\$ 22,899,604	\$ 22,354,002	\$ 545,602
Total School Operating Fund	\$ 22,222,444	\$ 22,899,604	\$ 22,354,002	\$ 545,602
School Cafeteria Fund:				
Education:				
School food services	\$ 1,526,882	\$ 1,526,882	\$ 1,450,006	\$ 76,876
School Grants Fund:				
Education:				
Instruction costs	\$ -	\$ 3,457,998	\$ 2,541,897	\$ 916,101
Total Expenditures - Component Unit - School Board	\$ 23,749,326	\$ 27,884,484	\$ 26,345,905	\$ 1,538,579

<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 Information</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 Nine Fiscal Years
(Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:									
Net investment in capital assets	\$ 5,142,385	\$ 5,319,803	\$ 5,351,713	\$ 4,986,603	\$ 5,095,179	\$ 5,239,010	\$ 7,783,672	\$ 9,025,281	\$ 8,309,912
Unrestricted	<u>4,734,923</u>	<u>6,512,958</u>	<u>5,938,838</u>	5,095,384	5,709,696	10,833,837	9,266,186	11,321,289	(4,717,533)
Total governmental activities net position	<u>\$ 9,877,308</u>	<u>\$ 11,832,761</u>	<u>\$ 11,290,551</u>	<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>
Business-type activities:									
Net investment in capital assets	\$ 14,643,741	\$ 14,934,394	\$ 15,210,773	\$ 14,419,532	\$ 15,002,561	\$ 17,011,598	\$ 17,668,620	\$ 17,998,885	\$ 18,933,157
Unrestricted	<u>8,031,456</u>	<u>8,389,158</u>	<u>6,452,916</u>	<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>
Total business-type activities net position	<u>\$ 22,675,197</u>	<u>\$ 23,323,552</u>	<u>\$ 21,663,689</u>	<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>
Primary government									
Net investment in capital assets	\$ 19,786,126	\$ 20,254,197	\$ 20,562,486	\$ 20,562,486	\$ 19,406,135	\$ 22,250,608	\$ 25,452,292	\$ 27,024,166	\$ 27,243,069
Unrestricted	<u>12,766,379</u>	<u>14,902,116</u>	<u>12,391,754</u>	<u>12,391,754</u>	<u>12,108,207</u>	<u>18,892,244</u>	<u>19,733,216</u>	<u>20,706,381</u>	<u>1,389,385</u>
Total primary government	<u>\$ 32,552,505</u>	<u>\$ 35,156,313</u>	<u>\$ 32,954,240</u>	<u>\$ 32,954,240</u>	<u>\$ 31,514,342</u>	<u>\$ 41,142,852</u>	<u>\$ 45,185,508</u>	<u>\$ 47,730,547</u>	<u>\$ 28,632,454</u>

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

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

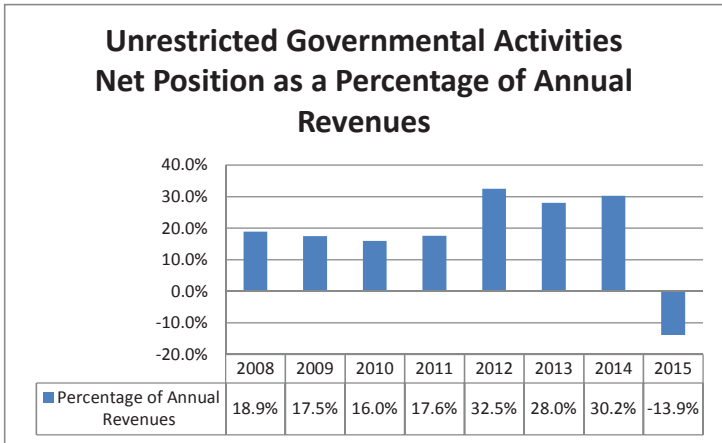
	Fiscal Year								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:									
Governmental activities:									
General government administration	\$ 3,163,344	\$ 3,632,533	\$ 4,276,071	\$ 4,093,661	\$ 3,814,802	\$ 3,637,285	\$ 3,632,201	\$ 3,652,928	\$ 3,800,766
Judicial administration	1,767,723	1,907,359	2,000,159	1,885,494	1,878,258	1,918,028	1,981,577	2,165,263	2,096,773
Public safety	9,048,222	9,397,114	9,696,451	9,472,187	8,997,810	9,228,325	9,393,253	9,418,417	9,176,453
Public works	4,399,867	4,210,661	4,692,221	4,304,621	4,178,766	4,011,222	4,957,877	4,265,599	3,456,455
Health and welfare	577,782	502,245	582,129	1,292,705	606,262	563,668	748,961	679,779	674,858
Education	7,418,547	7,834,905	7,679,809	6,778,437	6,400,860	3,525,833	5,800,158	6,876,345	7,794,188
Parks, recreation, and cultural	1,486,711	1,740,767	1,096,975	1,149,286	1,340,515	1,254,795	1,085,674	1,044,516	930,080
Community development	4,303,337	3,005,045	3,954,587	3,755,520	4,117,538	3,498,547	3,705,549	5,390,512	4,958,922
Interest and other fiscal charges	511,628	313,246	514,838	402,996	348,232	395,761	488,284	688,152	616,888
Total governmental activities expenses	\$ 32,677,161	\$ 32,543,875	\$ 34,493,240	\$ 33,134,907	\$ 31,683,043	\$ 28,033,464	\$ 31,793,534	\$ 34,181,511	\$ 33,505,383
Business-type activities:									
Electric	14,000,303	14,386,289	15,660,263	16,432,597	17,175,908	\$ 14,987,140	\$ 13,609,901	\$ 16,329,938	\$ 15,552,584
Water	1,873,437	2,014,138	2,135,742	1,874,519	1,694,197	1,713,386	1,756,400	1,744,194	1,576,999
Sewer	2,775,866	2,818,953	3,105,291	2,996,728	2,652,619	2,712,919	2,762,385	3,107,701	3,063,555
Refuse collection / landfill	1,289,533	2,957,901	2,368,403	1,138,147	1,095,958	1,262,415	1,566,262	1,490,749	1,454,477
Total business-type activities expenses	\$ 19,939,139	\$ 22,177,281	\$ 23,269,699	\$ 22,441,991	\$ 22,618,682	\$ 20,675,860	\$ 19,694,948	\$ 22,672,582	\$ 21,647,615
Total primary government expenses	\$ 52,616,300	\$ 54,721,156	\$ 57,762,939	\$ 55,576,898	\$ 54,301,725	\$ 48,709,324	\$ 51,488,482	\$ 56,854,093	\$ 55,152,998
Program revenues:									
Governmental activities:									
Charges for services:									
General government administration	\$ 80,019	\$ 91,900	\$ 113,848	\$ 143,120	\$ 191,123	\$ 186,019	\$ 210,744	\$ 27,323	\$ 71,257
Judicial administration	260,975	234,672	252,763	273,737	202,053	209,709	215,326	177,396	220,001
Public safety	334,052	325,242	361,662	421,844	509,000	599,126	603,156	502,374	556,608
Public works	90,002	90,879	92,071	109,045	24,000	24,000	24,000	24,000	367,457
Parks, recreation, and cultural	142,074	135,477	141,895	162,368	139,931	148,883	51,468	224,677	13,847
Operating grants and contributions:									
General government administration	272,402	276,647	267,032	234,313	277,056	423,555	275,042	310,483	230,355
Judicial administration	786,710	866,548	780,735	736,621	713,051	719,769	721,469	738,874	766,853
Public safety	3,535,245	3,940,060	3,955,895	3,397,090	3,239,401	3,283,016	3,189,324	3,229,434	3,192,089
Public works	2,431,846	2,591,437	2,642,578	2,625,314	3,395,752	3,274,179	2,937,259	3,183,251	3,139,103
Health and welfare	360,404	13,996	12,258	23,973	-	51,227	146,616	106,284	107,481
Parks, recreation, and cultural	18,227	21,953	17,467	21,545	36,342	34,633	29,024	34,111	27,393
Community development	2,426,624	2,715,790	2,378,903	2,280,439	2,081,905	2,179,828	1,816,471	3,566,872	1,840,583
Capital grants and contributions	834,435	647,121	138,691	590,000	-	-	2,051,086	1,900,918	1,099,371
Total governmental activities program revenues	\$ 11,573,015	\$ 11,951,722	\$ 11,155,798	\$ 11,019,409	\$ 10,809,614	\$ 11,133,944	\$ 12,270,985	\$ 14,025,997	\$ 11,632,398

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

	Fiscal Year								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:									
Charges for services:									
Electric	\$ 16,499,732	\$ 17,357,449	\$ 16,728,961	\$ 16,624,330	\$ 17,549,813	\$ 17,005,502	\$ 16,737,265	\$ 17,196,837	\$ 17,630,862
Water	2,998,529	3,639,981	3,216,234	2,912,964	3,090,420	3,108,345	3,223,717	3,268,689	3,301,837
Sewer	3,300,744	3,815,476	3,876,929	3,763,519	3,611,687	4,036,668	3,917,792	3,840,429	3,929,737
Refuse collection / landfill	1,396,947	1,370,624	1,431,649	1,698,501	1,651,673	1,678,419	1,599,297	2,080,731	2,199,089
Operating grants and contributions	48,003	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	1,878,298	-	15,894	-
Total business-type activities program revenues	\$ 24,243,955	\$ 26,183,530	\$ 25,253,773	\$ 24,999,314	\$ 25,903,593	\$ 27,707,232	\$ 25,478,071	\$ 26,402,580	\$ 27,061,525
Total primary government program revenues	\$ 35,816,970	\$ 38,135,252	\$ 36,409,571	\$ 36,018,723	\$ 36,713,207	\$ 38,841,176	\$ 37,749,056	\$ 40,428,577	\$ 38,693,923
Net (expense) / revenue									
Governmental activities	\$ (21,104,147)	\$ (20,592,153)	\$ (23,337,441)	\$ (22,115,498)	\$ (20,873,429)	\$ (16,899,520)	\$ (19,522,549)	\$ (20,155,514)	\$ (21,872,985)
Business-type activities	4,304,816	4,006,249	1,984,074	2,557,323	3,284,911	7,031,372	5,783,123	3,729,998	5,413,910
Total primary government net expense	\$ (16,799,331)	\$ (16,585,904)	\$ (21,353,367)	\$ (19,558,175)	\$ (17,588,518)	\$ (9,868,148)	\$ (13,739,426)	\$ (16,425,516)	\$ (16,459,075)
General Revenues and Other Changes in Net Position									
Governmental activities:									
General property taxes	\$ 8,759,342	\$ 9,202,010	\$ 9,443,548	\$ 9,036,094	\$ 8,878,758	\$ 8,667,298	\$ 8,815,665	\$ 9,063,889	\$ 8,984,049
Local sales and use taxes	2,279,517	2,054,229	2,015,151	1,759,239	1,911,276	1,891,909	1,886,892	2,017,806	1,921,102
Consumer utility taxes	758,582	749,579	735,458	718,563	710,361	695,041	684,046	669,664	678,862
Business license taxes	1,757,733	1,837,209	1,849,974	1,676,826	1,947,085	1,720,315	1,769,645	1,807,604	1,607,168
Meals tax	1,368,860	1,403,131	1,430,326	1,390,907	1,409,442	1,434,966	1,552,032	1,583,889	1,665,418
Other local taxes	1,695,628	1,803,565	1,792,617	1,738,173	816,634	878,807	787,788	838,603	895,763
Grants and contributions not restricted to specific programs	734,180	724,000	704,371	695,066	1,657,430	1,631,430	1,642,941	1,634,436	1,629,988
Unrestricted revenues from use of money and property	1,460,400	1,006,575	732,669	714,804	612,256	725,358	684,989	925,705	649,438
Miscellaneous	320,679	283,529	441,675	374,241	916,783	510,730	263,000	403,029	243,521
Transfers	4,392,215	3,483,779	3,649,442	2,803,021	2,736,292	4,011,638	2,743,691	4,507,601	3,946,547
Total governmental activities	\$ 23,527,136	\$ 22,547,606	\$ 22,795,231	\$ 20,906,934	\$ 21,596,317	\$ 22,167,492	\$ 20,830,689	\$ 23,452,226	\$ 22,221,856
Business-type activities:									
Transfers	\$ (4,392,215)	\$ (3,483,779)	\$ (3,649,442)	\$ (2,803,021)	\$ (2,736,292)	\$ (4,011,638)	\$ (2,743,691)	\$ (4,507,601)	\$ (3,946,547)
Unrestricted revenues from use of money and property	187,327	125,885	5,505	14,364	38,698	30,599	26,213	25,930	23,386
Total business-type activities	\$ (4,204,888)	\$ (3,357,894)	\$ (3,643,937)	\$ (2,788,657)	\$ (2,697,594)	\$ (3,981,039)	\$ (2,717,478)	\$ (4,481,671)	\$ (3,923,161)
Total primary government	\$ 19,322,248	\$ 19,189,712	\$ 19,151,294	\$ 18,118,277	\$ 18,898,723	\$ 18,186,453	\$ 18,113,211	\$ 18,970,555	\$ 18,298,695
Change in Net Position									
Governmental activities	\$ 2,422,989	\$ 1,955,453	\$ (542,210)	\$ (1,208,565)	\$ 722,888	\$ 5,267,972	\$ 1,308,140	\$ 3,296,712	\$ 348,871
Business-type activities	99,928	648,355	(1,659,863)	(231,334)	587,317	3,050,333	3,065,645	(751,673)	1,490,749
Total primary government	\$ 2,522,917	\$ 2,603,808	\$ (2,202,073)	\$ (1,439,899)	\$ 1,310,205	\$ 8,318,305	\$ 4,373,785	\$ 2,545,039	\$ 1,839,620

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

Level of Unrestricted Net Position
 Last Eight 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.

For the year ended June 30, 2015, the City's total unrestricted net position approximated \$(8.6) million or -25.5% of annual total revenues. This represents a decrease of \$19,942,295 or 176.2% compared to the year ended June 30, 2014.

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	Telephone Taxes	Other Local Taxes	Total
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
2009	9,443,548	2,015,151	735,458	1,849,974	1,430,326	-	1,792,617	17,267,074
2008	9,202,010	2,054,229	749,579	1,837,209	1,403,131	-	1,803,565	17,049,723
2007	8,759,342	2,279,517	758,582	1,757,733	1,368,860	267,252	1,428,376	16,619,662
2006	7,677,907	2,145,605	768,590	1,713,541	1,155,170	559,954	1,223,340	15,244,107

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

CITY OF MARTINSVILLE, VIRGINIA

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund					
Unreserved, designated	\$ 154,099	\$ 154,099	\$ 154,099	\$ 154,099	\$ 154,099
Unreserved, undesignated	954,031	2,081,470	3,666,122	2,959,209	2,090,139
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 1,108,130</u>	<u>\$ 2,235,569</u>	<u>\$ 3,820,221</u>	<u>\$ 3,113,308</u>	<u>\$ 2,244,238</u>
All other governmental funds					
Unreserved, reported in:					
Special revenue funds (deficit)	\$ (459,576)	\$ 54,241	\$ 516,890	\$ 116,818	\$ (230,984)
Capital projects funds	169,943	1,070,070	834,781	1,177,707	1,171,520
Nonspendable	-	-	-	-	-
Restricted for:					
Capital projects	-	-	-	-	-
Committed, reported in:					
Special revenue funds	-	-	-	-	-
Assigned, reported in:					
Capital projects funds	-	-	-	-	-
Unassigned, reported in:					
Special revenue funds (deficit)	-	-	-	-	-
Total all other governmental funds	<u>\$ (289,633)</u>	<u>\$ 1,124,311</u>	<u>\$ 1,351,671</u>	<u>\$ 1,294,525</u>	<u>\$ 940,536</u>
Total governmental funds	<u>\$ 818,497</u>	<u>\$ 3,359,880</u>	<u>\$ 5,171,892</u>	<u>\$ 4,407,833</u>	<u>\$ 3,184,774</u>

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

Table 5

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$	-	-	-	-	-
	-	-	-	-	-
	512,136	795,619	841,646	993,900	759,894
	1,690,400	1,690,400	1,698,115	2,043,941	2,267,064
	154,099	154,099	154,099	25,000	25,000
	<u>774,240</u>	<u>4,734,167</u>	<u>4,535,327</u>	<u>4,568,620</u>	<u>4,122,660</u>
\$	<u><u>3,130,875</u></u>	<u><u>7,374,285</u></u>	<u><u>7,229,187</u></u>	<u><u>7,631,461</u></u>	<u><u>7,174,618</u></u>
\$	-	-	-	-	-
	-	-	-	-	-
	-	-	477,955	-	-
	-	10,053,594	2,274,054	190,981	-
	161,982	280,061	11,809	395,408	53,123
	1,196,779	705,957	318,876	1,260,911	1,523,314
	<u>(587,971)</u>	<u>(583,105)</u>	<u>(592,879)</u>	<u>(23,767)</u>	<u>(53,031)</u>
\$	<u><u>770,790</u></u>	<u><u>10,456,507</u></u>	<u><u>2,489,815</u></u>	<u><u>1,823,533</u></u>	<u><u>1,523,406</u></u>
\$	<u><u>3,901,665</u></u>	<u><u>17,830,792</u></u>	<u><u>9,719,002</u></u>	<u><u>9,454,994</u></u>	<u><u>8,698,024</u></u>

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Fund Balance Summary
 Year Ended June 30, 2015
 (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.

	<u>General Fund</u>	<u>City Grants Fund</u>	<u>Housing Choice Fund</u>	<u>Capital Reserve Fund</u>	<u>Meals Tax Fund</u>	<u>Total</u>
Nonspendable:						
Inventory	\$ 754,469	\$ -	\$ -	\$ -	\$ -	\$ 754,469
Prepaid items	5,425	-	-	-	-	5,425
Committed to:						
Centre Infrastructure project	1,666,700	-	-	-	-	1,666,700
Piedmont Area Regional Transit	28,725	-	-	-	-	28,725
Housing Choice program	-	-	53,123	-	-	53,123
General Gov't Administration	30,988	-	-	-	-	30,988
Judicial Administration	31,890	-	-	-	-	31,890
Public Safety	320,409	-	-	-	-	320,409
Public Works	188,352	-	-	-	-	188,352
Assigned to:						
Thoroughfare construction	25,000	-	-	-	-	25,000
Capital reserve fund	-	-	-	697,465	-	697,465
Meals tax fund	-	-	-	-	825,849	825,849
Unassigned	4,122,660	(53,031)	-	-	-	4,069,629
Total fund balance	<u>\$ 7,174,618</u>	<u>\$ (53,031)</u>	<u>\$ 53,123</u>	<u>\$ 697,465</u>	<u>\$ 825,849</u>	<u>\$ 8,698,024</u>

CITY OF MARTINSVILLE, VIRGINIA

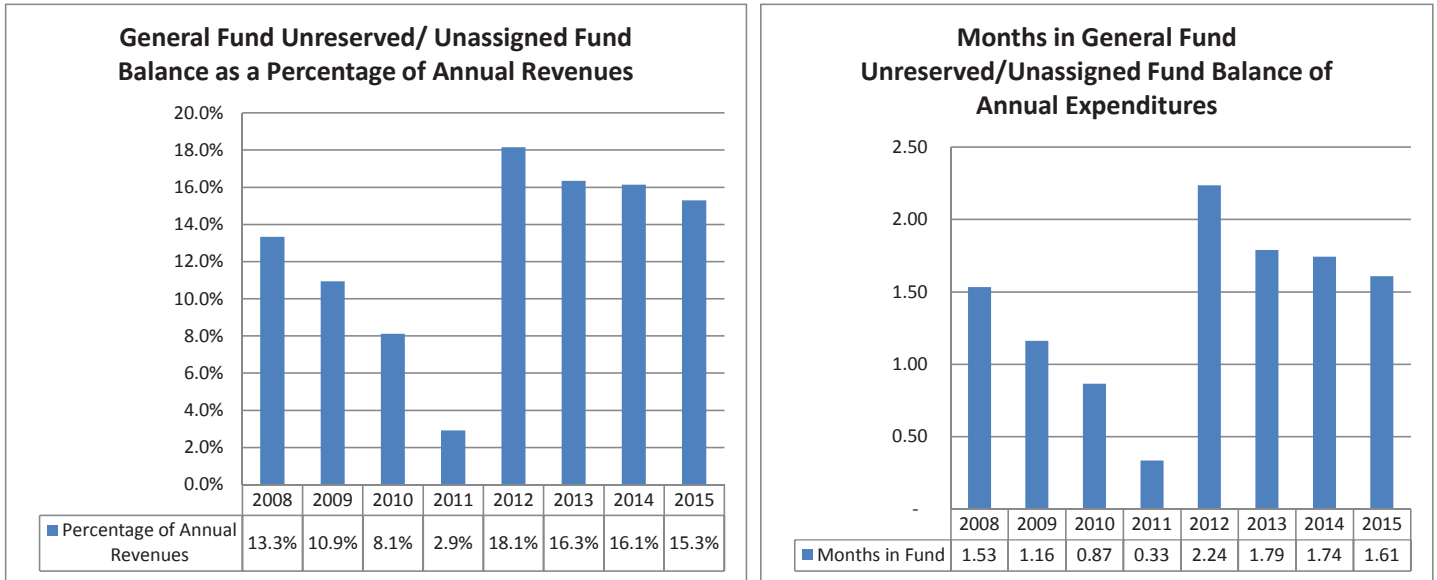
Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues:					
General property taxes	\$ 7,642,006	\$ 8,744,282	\$ 9,252,784	\$ 9,305,221	\$ 9,080,208
Other local taxes	7,566,200	7,860,321	7,847,713	7,823,526	6,345,922
Permits, privilege fees and regulatory licenses	418,210	436,393	432,554	447,276	560,910
Fines and forfeitures	235,837	207,286	167,266	180,298	172,344
Revenue from use of money and property	965,674	1,472,629	1,006,575	732,669	714,804
Charges for services	236,278	263,442	278,350	334,665	376,859
Miscellaneous	246,894	320,678	283,529	441,676	374,241
Recovered costs	894,882	1,084,522	1,113,309	995,822	1,077,895
Intergovernmental:					
Commonwealth	7,176,201	8,346,744	8,840,847	7,764,295	8,968,309
Federal	2,468,561	3,053,329	2,956,705	3,133,635	2,573,838
Total revenues	<u>\$ 27,850,743</u>	<u>\$ 31,789,626</u>	<u>\$ 32,179,632</u>	<u>\$ 31,159,083</u>	<u>\$ 30,245,330</u>
Expenditures:					
General government administration	\$ 3,924,510	\$ 3,888,574	\$ 4,302,438	\$ 5,012,363	\$ 4,769,772
Judicial administration	1,566,000	1,779,779	1,907,589	2,000,189	1,885,975
Public safety	9,200,137	9,191,113	9,716,719	9,874,293	9,399,480
Public works	3,820,345	4,518,076	4,062,576	4,911,994	4,141,317
Health and welfare	642,240	600,133	521,146	605,854	1,396,264
Education	8,740,321	6,695,401	7,082,718	6,891,809	6,039,577
Parks, recreation, and cultural	1,459,050	1,491,346	1,722,562	1,108,760	1,165,186
Community development	3,726,792	4,516,723	2,970,905	3,950,792	4,173,213
Debt service:					
Principal retirement	1,183,049	1,103,063	3,660,658	3,660,350	1,251,510
Interest and other fiscal charges	638,403	482,109	368,440	528,333	389,116
Total expenditures	<u>\$ 34,900,847</u>	<u>\$ 34,266,317</u>	<u>\$ 36,315,751</u>	<u>\$ 38,544,737</u>	<u>\$ 34,611,410</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (7,050,105)</u>	<u>\$ (2,476,691)</u>	<u>\$ (4,136,119)</u>	<u>\$ (7,385,654)</u>	<u>\$ (4,366,080)</u>
Other financing sources (uses):					
Issuance of debt	\$ 4,529,764	\$ 500,000	\$ 2,464,452	\$ 2,972,053	\$ 340,000
Payment to refunded bond escrow agent	(2,499,764)	-	-	-	-
Transfers in	4,859,443	5,442,840	3,975,745	3,773,941	3,096,834
Transfers (out)	(308,950)	(1,050,625)	(491,966)	(124,499)	(293,813)
Total other financing sources (uses)	<u>\$ 6,580,493</u>	<u>\$ 4,892,215</u>	<u>\$ 5,948,231</u>	<u>\$ 6,621,495</u>	<u>\$ 3,143,021</u>
Net changes in fund balances	<u>\$ (469,612)</u>	<u>\$ 2,415,524</u>	<u>\$ 1,812,112</u>	<u>\$ (764,159)</u>	<u>\$ (1,223,059)</u>
Debt service as a percentage of noncapital expenditures	<u>5.64%</u>	<u>4.70%</u>	<u>11.26%</u>	<u>11.16%</u>	<u>4.77%</u>

Table 7

	2011	2012	2013	2014	2015
\$	8,941,108	\$ 8,622,900	\$ 8,760,993	8,683,569	\$ 9,083,158
	6,794,798	6,621,038	6,680,403	6,917,566	6,768,313
	505,375	594,763	145,833	83,931	94,162
	151,231	163,118	164,533	126,049	174,262
	612,256	725,358	684,989	925,705	649,438
	409,501	409,856	794,328	745,790	960,746
	938,783	510,730	263,000	403,029	243,521
	974,492	1,126,724	991,218	1,041,507	1,490,324
	9,079,756	8,840,678	8,927,696	9,150,812	9,827,014
	2,321,181	2,939,213	4,259,593	5,553,851	2,206,202
\$	<u>30,728,481</u>	<u>\$ 30,554,378</u>	<u>\$ 31,672,586</u>	<u>33,631,809</u>	<u>\$ 31,497,140</u>
\$	4,320,113	\$ 5,501,331	\$ 4,745,980	4,284,558	\$ 4,633,537
	1,887,939	1,917,844	1,983,255	2,164,763	2,144,310
	9,005,610	9,046,810	9,579,378	9,845,689	9,712,097
	4,084,984	3,993,552	6,637,533	6,098,946	4,403,469
	627,135	604,746	792,657	720,419	725,947
	5,697,421	3,638,582	12,477,628	7,341,781	6,587,543
	1,500,498	1,218,913	1,068,617	1,027,633	1,185,463
	4,066,774	3,474,873	3,817,336	5,035,599	4,932,864
	1,188,028	1,207,842	1,167,732	2,913,705	1,243,918
	369,380	582,396	717,951	722,325	631,509
\$	<u>32,747,882</u>	<u>\$ 31,186,889</u>	<u>\$ 42,988,067</u>	<u>40,155,418</u>	<u>\$ 36,200,657</u>
\$	<u>(2,019,401)</u>	<u>(632,511)</u>	<u>(11,315,481)</u>	<u>(6,523,609)</u>	<u>(4,703,517)</u>
\$	-	\$ 10,550,000	\$ 460,000	1,752,000	\$ -
	-	-	-	-	-
	2,957,692	4,256,202	3,062,864	5,357,541	4,440,920
	(221,400)	(244,564)	(319,173)	(849,940)	(494,373)
\$	<u>2,736,292</u>	<u>\$ 14,561,638</u>	<u>\$ 3,203,691</u>	<u>6,259,601</u>	<u>\$ 3,946,547</u>
\$	<u>716,891</u>	<u>\$ 13,929,127</u>	<u>(8,111,790)</u>	<u>(264,008)</u>	<u>(756,970)</u>
	<u>4.81%</u>	<u>6.14%</u>	<u>5.75%</u>	<u>10.02%</u>	<u>5.39%</u>

Level of Unreserved/Unassigned Fund Balance
 Last Eight Fiscal Years
 (Modified Accrual Basis of Accounting)



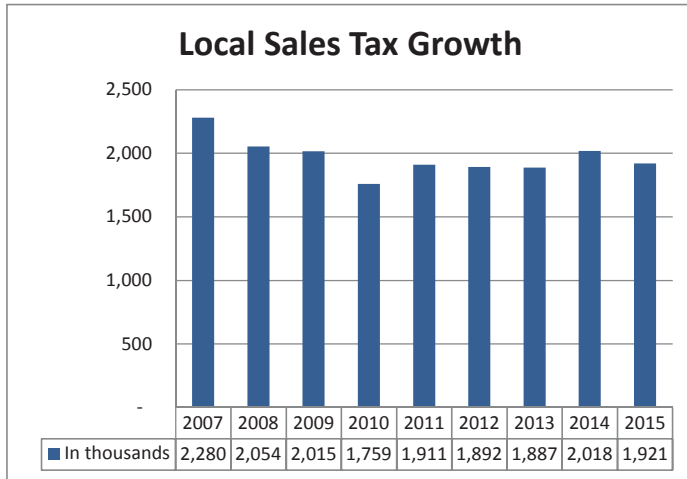
The level of unreserved fund balance is an indication of the amount of unexpended, unencumbered and available resources the government has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls, or other unexpected needs. Beginning in fiscal year ending June 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
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
2009	9,305,221	2,015,151	735,458	1,849,974	1,430,326	968,924	823,693	17,128,747
2008	9,252,784	2,054,229	749,579	1,837,209	1,403,131	1,031,174	772,391	17,100,497
2007	8,744,282	2,279,517	758,582	1,757,733	1,368,860	794,016	901,612	16,604,602
2006	7,642,006	2,145,605	768,590	1,713,541	1,155,170	832,467	950,827	15,208,206

Local Sales Tax Growth
 Last Nine 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, 2015, the City experienced a decrease in sales tax collections of approximately \$97,000 or 5.13%.

Utility Analysis of Unrestricted Net Position
 At June 30, 2015

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Collection/ Landfill Fund</u>	<u>Total</u>
Net Position at June 30, 2015	\$ 13,901,932	\$ 4,596,895	\$ 2,125,940	\$ 4,415,308	\$ 25,040,075
Less capital assets	(9,818,764)	(4,588,006)	(3,286,888)	(2,534,498)	(20,228,156)
Add current portion of long-term obligations	23,345	5,008	22,467	259,636	310,456
Add noncurrent portion of long-term obligations	125,103	45,073	147,674	4,444,958	4,762,808
Less compensated absences	(53,448)	(50,081)	(68,504)	(16,822)	(188,855)
Less landfill closure and post-closure costs	-	-	-	(3,439,510)	(3,439,510)
Less series 2009B general obligation bonds (non-capital related debt)	-	-	-	(149,900)	(149,900)
Unrestricted Net Position at June 30, 2015	<u>\$ 4,178,168</u>	<u>\$ 8,889</u>	<u>\$ (1,059,311)</u>	<u>\$ 2,979,172</u>	<u>\$ 6,106,918</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
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
2009	645,748,787	113,874,992	6,715,547	22,318,052	*	788,657,378
2008	639,192,692	108,609,168	11,452,777	26,072,969	*	785,327,606
2007	593,669,976	100,582,016	15,146,780	21,340,984	*	730,739,756
2006	588,988,194	98,478,170	12,831,665	25,709,402	*	726,007,431

(1) 100% fair market value.

* For this table, prior to 2010, Public Service Real Estate & Personal Property were combined.

Source: Commissioner of the Revenue

Table 12

Tax Rates					
Real Estate	Personal Property	Machinery and Tools	Public Service R/E	Public Service P/P	
\$ 1.0621	\$ 2.30	\$ 1.85	\$ 1.0621	\$ 2.30	
1.0621	2.30	1.85	1.0621	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	2.30	
1.08	2.30	1.85	1.08	*	
1.08	2.30	1.85	1.08	*	
1.08	2.30	1.85	1.08	*	
0.94	2.30	1.85	0.94	*	

CITY OF MARTINSVILLE, VIRGINIA

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
2015	\$ 9,424,583	\$ 8,873,795	94.16%	\$ 547,335
2014	9,329,806	8,683,981	93.08%	426,107
2013	9,515,252	8,730,614	91.75%	463,880
2012	9,663,905	8,670,267	89.72%	437,761
2011	9,654,565	8,926,474	92.46%	437,117
2010	9,790,499	9,082,620	92.77%	453,976
2009	9,960,763	9,330,615	93.67%	428,157
2008	10,162,566	9,304,630	91.56%	396,634
2007	9,594,029	8,819,854	91.93%	397,090
2006	8,587,588	7,808,647	90.93%	352,969

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Note: Current Tax Collections includes PPTRA funds.

Table 13

Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
\$ 9,421,130	99.96%	\$ 1,084,664	11.51%
9,110,088	97.64%	1,208,189	12.95%
9,194,494	96.63%	1,027,354	10.80%
9,108,028	94.25%	1,044,410	10.81%
9,363,591	96.99%	1,122,427	11.63%
9,536,596	97.41%	1,463,215	14.95%
9,758,772	97.97%	1,161,416	11.66%
9,701,264	95.46%	1,156,795	11.38%
9,216,944	96.07%	1,042,455	10.87%
8,161,616	95.04%	934,930	10.89%

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	Notes Payable
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	-
2009	2,923,900	-	6,500,000	1,946,566	851,263	-
2008	3,077,971	-	7,125,000	2,045,332	661,723	-
2007	3,276,703	2,000,000	7,788,525	133,572	407,432	500,000
2006	3,464,764	2,000,000	8,452,050	157,819	647,235	-

n/a - not available at publication

Table 14

Business-type Activites		Total Primary Government	Percentage of Personal Income	Net Bonded Debt per Capita
General Obligation Bonds	Capital Leases			
\$ 1,444,900	\$ -	\$ 17,455,893	n/a	\$ 1,263
1,880,000	-	19,474,912	n/a	1,400
2,279,700	-	21,036,317	n/a	1,513
2,683,700	65,474	22,213,523	n/a	1,598
3,075,100	193,719	13,391,010	661.11%	969
2,502,200	318,448	14,130,867	712.98%	952
2,742,800	439,756	15,404,285	770.05%	1,038
1,982,600	-	14,892,626	735.67%	1,025
2,209,500	-	16,315,732	849.76%	1,122
1,907,900	-	16,629,768	888.13%	1,132

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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	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2015	13,821	\$ 767,135,961	\$ 17,175,507	2.24%	\$ 1,243
2014	13,907	772,290,526	19,104,003	2.47%	1,374
2013	13,908	792,509,592	20,576,317	2.60%	1,479
2012	13,902	797,634,306	22,050,962	2.76%	1,586
2011	13,821	818,012,502	12,871,644	1.57%	931
2010	14,841	825,726,268	13,265,997	1.61%	894
2009	14,535	788,657,378	14,113,266	1.79%	971
2008	14,545	785,327,606	14,230,903	1.81%	978
2007	14,687	730,739,756	15,774,728	2.16%	1,074
2006	14,743	726,007,431	15,824,714	2.18%	1,073

Sources:

(1) The Weldon Cooper Center for Public Service

(2) From Table 12

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans,
Excludes revenue bonds, capital leases, and compensated absences.

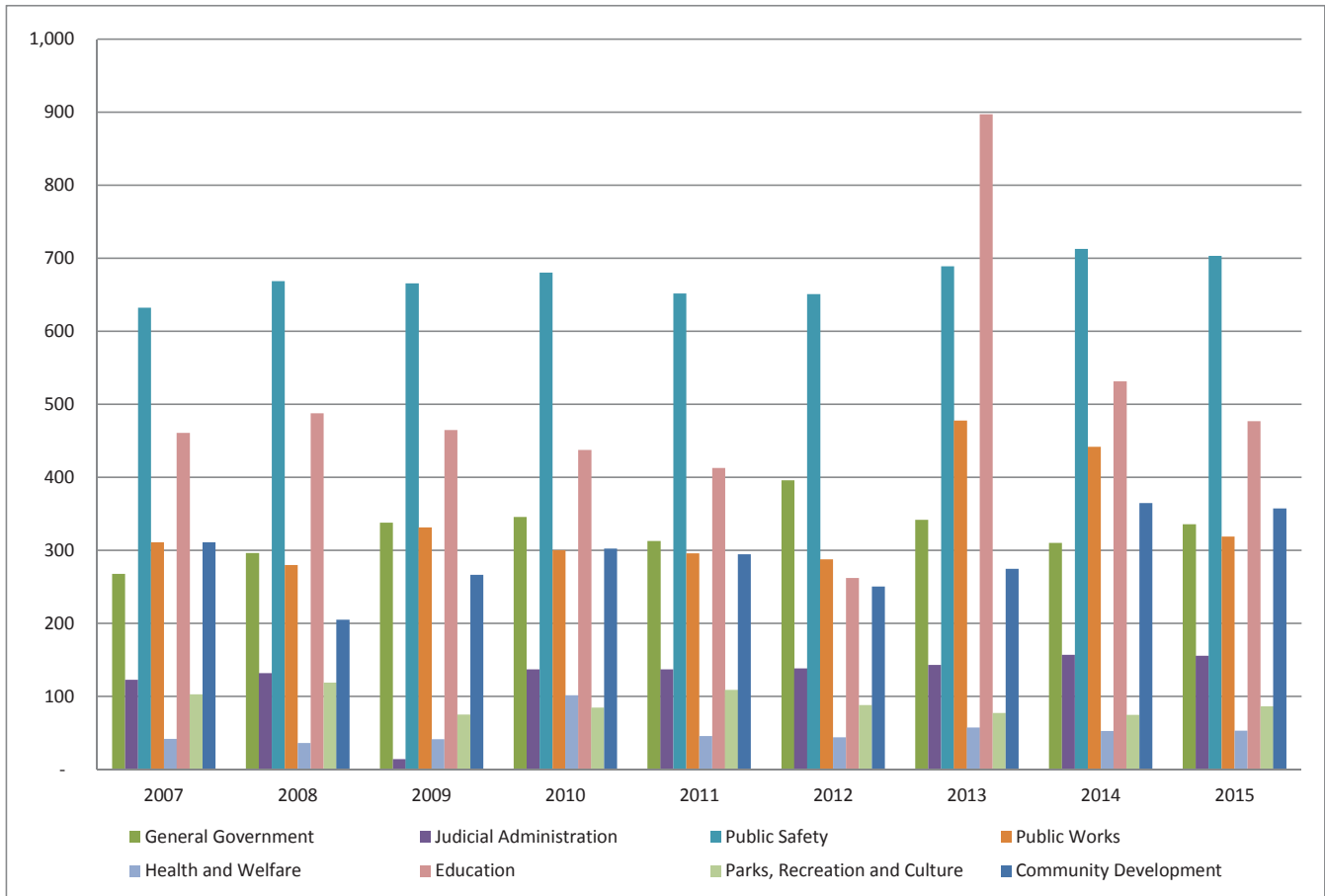
Computation of Direct and Overlapping Bonded Debt
At June 30, 2015

Direct:(1)

City of Martinsville	\$	17,175,507	100%	\$	17,175,507
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The City of Martinsville has no overlapping debt.

Expenditures Per Capita Ratio
Last Nine 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)	Unemployment Rate (4)	Personal Income In Thousands (5)
2015	13,821	\$ n/a	2,300	9.58%	n/a
2014	13,907	n/a	2,125	10.30%	n/a
2013	13,908	32,546	2,137	13.90%	2,160,176
2012	13,902	32,133	2,163	14.30%	2,139,689
2011	13,821	30,097	2,359	17.00%	2,025,548
2010	13,821	29,220	2,324	20.20%	1,981,945
2009	14,841	28,773	2,453	21.60%	2,000,417
2008	14,535	28,906	2,436	11.40%	2,024,349
2007	14,545	27,427	2,408	8.40%	1,920,040
2006	14,687	26,646	2,526	7.20%	1,872,449

n/a - not available at publication

Sources:

- (1) The Weldon Cooper Center for Public Service
- (2) Bureau of Economic Analysis - data for "Martinsville, VA Micropolitan SA"
- (3) School Board Office
- (4) Virginia Employment Commission
- (5) Bureau of Economic Analysis - data for "Martinsville, VA Micropolitan SA"

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

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government	28	26	24	24	23	23	23	24	24	26
Public safety										
Police department	57	57	57	57	55	54	53	54	52	50
Fire department	31	31	30	30	29	29	29	29	29	28
Public works										
General maintenance	41	38	43	42	42	42	42	39	42	40
Landfill Operation	0	0	0	0	0	0	0	0	0	0
Refuse Collection	0	4	4	4	4	3	3	3	3	3
Engineering	4	4	4	3	2	2	2	2	2	3
Culture and recreation										
Parks and recreation	10	9	9	9	8	7	7	7	7	7
Community development										
Planning	8	8	6	6	5	4	3	3	3	4
Totals	<u>179</u>	<u>177</u>	<u>177</u>	<u>175</u>	<u>168</u>	<u>164</u>	<u>162</u>	<u>161</u>	<u>162</u>	<u>161</u>

Source: Individual city departments

CITY OF MARTINSVILLE, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years

		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police Protection	Number of stations	1	1	1	1
	Number of police personnel and officers	53	52	52	58
	Number of law violations:				
	Physical arrests	2,133	1,562	1,546	1,933
	Traffic violations	3,909	3,469	2,882	3,336
Fire Protection	Number of stations	2	2	2	2
	Number of fire personnel and officers	41	41	39	40
	Number of calls answered	2,448	2,498	2,761	2,642
	Number of inspections conducted	122	246	237	2,560
Streets	Streets (miles)	16	100	100	100
	Streetlights	4,027	4,027	3,300	3,300
Recreation & Culture	Number of parks and recreation facilities	7	7	7	7
	Number of libraries	1	1	1	1
	Number of community centers	1	1	1	1
Water	Service Connections	7,500	7,500	7,300	7,300
	Miles of water mains	120	120	120	120
	Number of fire hydrants	520	548	548	548
	Daily average consumption in gallons	3.0 MGD	3.0 MGD	3.0 MGD	2.0 MGD
	Maximum daily capacity of plant in gallons	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD
Sewer	Service Connections	7,000	7,000	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	5.0 MGD	5.0 MGD	5.0 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	2	2	2
	Number of middle schools	1	1	1	1
	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	220	220

Source: Individual city departments

Data for fiscal years prior to 2005 is not available for publication.

Table 20

2010	2011	2012	2013	2014	2015
1	1	1	1	1	1
56	56	55	55	52	51
1,332	1,447	1,677	1,580	1,305	1,559
2,948	2,842	3,389	2,430	2,979	3,314
2	2	2	2	2	2
41	43	46	45	46	46
2,981	3,136	3,171	2,935	2,870	3,093
50	1,111	1,401	2,006	1,101	790
100	100	100	100	100	100
3,300	3,300	3,300	3,300	3,300	2,721
13	13	13	13	13	13
1	1	1	1	1	1
1	1	1	1	1	1
7,300	7,300	7,300	7,300	7,300	7,300
120	120	120	120	120	120
548	548	548	555	555	555
2.0 MGD	2.0 MGD	2.0 MGD	1.8 MGD	1.8 MGD	1.8 MGD
10.0 MGD	10.0 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	4.5 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
2	3	3	3	3	3
1	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
220	220	237	237	220	220

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Administration buildings	4	4	4	6	6	6	6	6	6	6
Vehicles	11	13	15	39	16	4	4	4	4	4
Public safety										
Police department:										
Patrol units	24	19	23	23	13	9	9	19	21	23
Other vehicles	10	7	6	10	12	16	16	13	10	13
Sheriffs department:										
Patrol units	10	11	8	8	8	0	10	11	12	12
Other vehicles	11	12	10	14	12	17	7	8	10	10
Fire department:										
Vehicles	13	15	14	14	15	13	12	12	13	12
Building inspections:										
Vehicles	3	3	2	2	2	2	2	2	2	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	43	38	39	43	62	80	80	66	64	60
Refuse:										
Vehicles	10	14	8	9	9	8	9	10	10	10
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	13	14	13	12	7	14	7	12	12	13
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	1	1	1	2	2	2	2	2	1	1
Component Unit - School Board										
Education:										
Schools	4	4	4	4	5	5	5	5	5	5
School buses	33	33	35	37	34	35	28	28	28	30
Other vehicles	29	29	30	30	30	29	27	27	23	23

Source: Individual city departments

Data for fiscal years prior to 2005 is not available for publication.

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

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
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, 2015, 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 27, 2015.

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. 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 not 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, Farmer, Cox Associates

Charlottesville, Virginia

November 27, 2015

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

**To The Honorable Members of City Council
City of Martinsville
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 *OMB Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. 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 not 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 27, 2015

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2015

Federal Grantor/State Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT:			
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Department of Motor Vehicles:			
Highway Planning and Construction	20.205	UPC 97198	\$ 114,219
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	60507-50320	21,070
Total Department of Transportation			<u>\$ 135,289</u>
<u>DEPARTMENT OF DEFENSE:</u>			
<u>Pass through payments:</u>			
Military Construction, National Guard	12.400	Unknown	<u>\$ 7,581</u>
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Pass through payments:</u>			
Department of Emergency Services:			
Emergency Management Performance Grant	97.042	Unknown	<u>\$ 144,620</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Direct payments:</u>			
Section 8 Housing Choice Vouchers	14.871	N/A	\$ 1,291,493
Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation	14.856	N/A	35,241
<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	53305-50797	147,453
Total Department of Housing and Urban Development			<u>\$ 1,474,187</u>
<u>DEPARTMENT OF LABOR:</u>			
<u>Pass through payments:</u>			
Governor's Employment and Training Department:			
Senior Community Service Employment Program	17.235	Unknown	<u>\$ 14,498</u>
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct payments:</u>			
Viper Grant	16.000	N/A	\$ 9,908
Bullet Proof Vest Partnership Program	16.607	N/A	2,230
Edward Byrne Memorial Justice Assistance Grant	16.738	N/A	387
Equitable Sharing Program	16.922	N/A	21,642
State Criminal Alien Assistance Program	16.606	N/A	2,012
<u>Pass through payments:</u>			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	39001-86000	27,451
Total Department of Justice			<u>\$ 63,630</u>
Total Primary Government			<u><u>\$ 1,839,805</u></u>

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2015 (Continued)

<u>Federal Grantor/State Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Agency Identifying Number</u>	<u>Federal Expenditures</u>
COMPONENT UNIT-SCHOOL BOARD:			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution	10.555	Unknown	\$ 80,688
Department of Education:			
National School Lunch Program	10.555	17901-40623	773,585
			<u>854,273</u>
Department of Education:			
School Breakfast Program	10.553	17901-40591	\$ 266,910
Fresh Fruit and Vegetable Program	10.582	17901-40599	41,679
			<u>41,679</u>
Total Department of Agriculture			<u>\$ 1,162,862</u>
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Direct payments:</u>			
Department of Education:			
Adult Education - National Leadership Activities	84.191	N/A	\$ 3,757
<u>Pass through payments:</u>			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	1,141,389
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	17901-43071	481,172
Special Education - Preschool Grants	84.173	17901-62521	5,383
Career and Technical Education - Basic Grants to States	84.048	17901-61095	57,723
English Language Acquisition State Grants	84.365	17901-60512	6,183
Improving Teacher Quality State Grants	84.367	17901-61480	141,829
Advanced Placement Program	84.330	Unknown	851
Rural Education	84.358	Unknown	59,366
Twenty-First Century Community Learning Centers	84.287	17901-60565	95,847
School Improvement Grants	84.377	17901-43040	480,419
			<u>480,419</u>
Total Department of Education			<u>\$ 2,473,919</u>
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:</u>			
<u>Direct payments:</u>			
Science	43.001	N/A	\$ 15,959
			<u>15,959</u>
Total Component Unit School Board			<u>\$ 3,652,740</u>
Total Expenditures of Federal Awards			<u>\$ 5,492,545</u>

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, 2015

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Martinsville, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the reporting requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, 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 - 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	\$ 222,667
Housing Choice Fund	1,326,734
Capital Reserve Fund	142,952
Meals tax fund	366,397
City Grants Fund	<u>147,452</u>
Total primary government	\$ <u>2,206,202</u>
Component Unit School Board:	
School Operating Fund	\$ 20,567
School Grants Fund	2,469,311
School Cafeteria Fund	<u>1,162,862</u>
Total component unit school board	\$ 3,652,740
Reconcile Federal revenues to expenditures:	
Less: Federal Tax Credit Subsidy on QSCB Bond	<u>(366,397)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>5,492,545</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

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? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? No
Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with Section 510 (a)
of Circular A-133? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
84.010	Title I Grants to Local Educational Agencies
84.027 / 84.173	Special Education Cluster (IDEA)
84.377	School Improvement Grants

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Findings

There are no prior year findings.