

Martinsville, Virginia
A CITY WITHOUT LIMITS



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2022

CITY OF MARTINSVILLE, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

PREPARED BY:

Finance Department

CITY OF MARTINSVILLE, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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CITY OF MARTINSVILLE, VIRGINIA

City Council

Kathy Lawson, Mayor
Jennifer Bowles, Vice-Mayor

Tammy Pearson

Danny Turner

Chad Martin

School Board

Donna Dillard, Chairperson
Yvonne Givens, Vice-Chairperson

Dominique Hylton

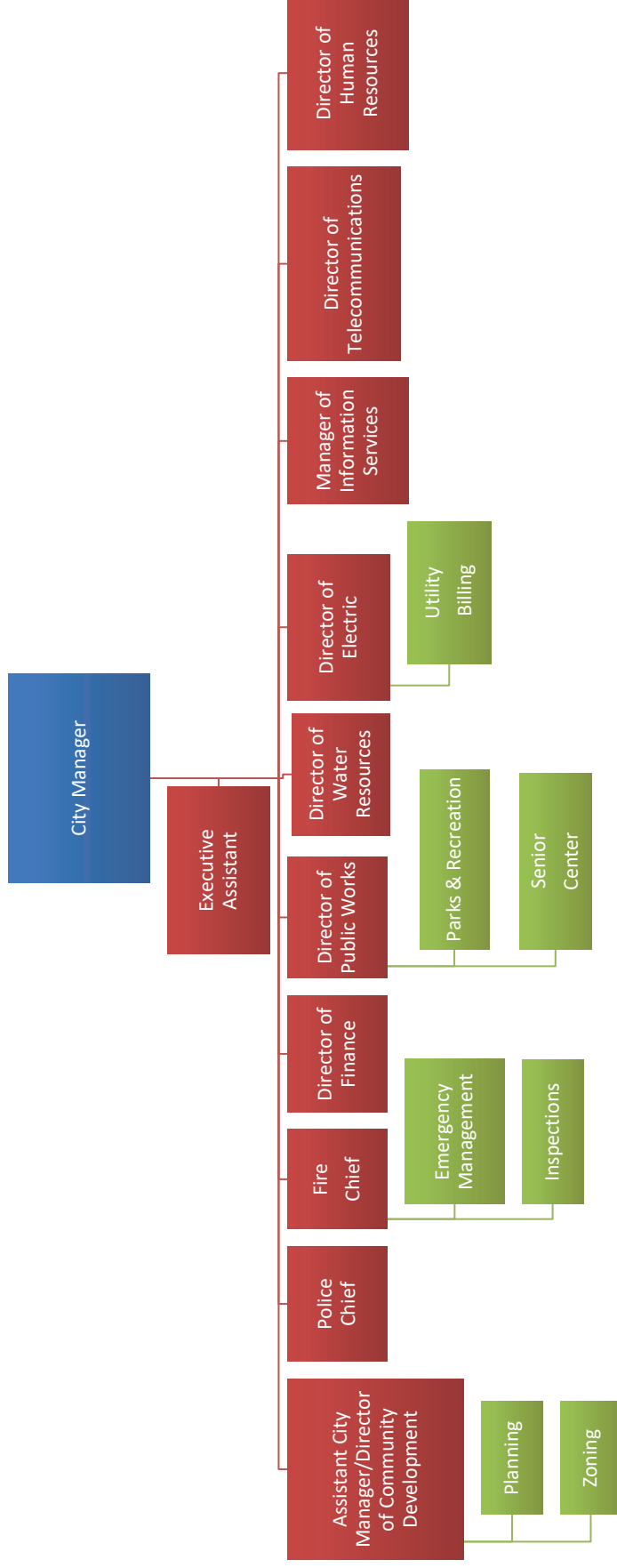
Emily Parker

Anthony Jones

Other Officials

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

City of Martinsville Organizational Chart



- Financial Section -



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Martinsville, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Martinsville, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Martinsville, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Martinsville, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary 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 accompanying combining and individual fund financial statements and schedules and schedule of schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual fund financial statements and schedules and schedule of schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022, on our consideration of the City of Martinsville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Martinsville, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Martinsville, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 9, 2022

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

The management of the City of Martinsville, Virginia, presents this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2022. 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 \$34,102,943 (total net position).
- The Governmental activities net position was \$1,089,520 of the City's total, an increase of \$224,232 from net position of \$865,288 at June 30, 2021.
- Net position of the City's various business-type activities totaled \$33,013,423. This is a decrease of \$1,969,195 or 5.96% compared to net position of \$34,982,618 at June 30, 2021.

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources by \$467,647 (Exhibit 4) after making direct contributions totaling \$4,940,076 to the School Board. Additionally, \$1,525,122 was expended from the Meals Tax Fund for School related debt service. A total of \$6,465,198 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 \$10,840,377, which is a decrease of \$467,647 in comparison with the prior fiscal year.
- At the close of the current fiscal year, the unassigned fund balance for the General Fund was \$6,286,060 or 16.33% of total general fund expenditures.
- The combined long-term Governmental activities obligations decreased by \$11,872,579 or approximately 31.54% during the current fiscal year. This is primarily due to a decrease in the actuarially determined net pension liability.

Overview of the Financial Statements

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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.

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

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

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

Overview of the Financial Statements (Continued)

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 FY2022, (1) assets and deferred outflows of resources exceeded (2) liabilities and deferred inflows of resources by \$34,102,943 at the close of the fiscal year as presented in the Table below. This was a decrease of \$1,744,963 or 6.48% less than the FY2021 closing amount of \$35,847,906.

City of Martinsville, Virginia
Schedule of Assets, Liabilities and Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 24,882,364	\$ 23,967,404	\$ 13,900,761	\$ 16,204,387	\$ 38,783,125	\$ 40,171,791
Capital assets	17,163,564	18,740,180	50,148,973	50,313,804	67,312,537	69,053,984
Total assets	\$ 42,045,928	\$ 42,707,584	\$ 64,049,734	\$ 66,518,191	\$ 106,095,662	\$ 109,225,775
Deferred outflows of resources	4,982,572	6,029,466	1,302,588	1,275,186	6,285,160	7,304,652
Total assets and deferred outflows of resources	\$ 47,028,500	\$ 48,737,050	\$ 65,352,322	\$ 67,793,377	\$ 112,380,822	\$ 116,530,427
Long-term liabilities outstanding	\$ 24,592,895	\$ 36,317,401	\$ 28,345,109	\$ 30,548,267	\$ 52,938,004	\$ 66,865,668
Current liabilities	12,177,652	11,370,181	1,980,521	2,205,164	14,158,173	13,575,345
Total liabilities	\$ 36,770,547	\$ 47,687,582	\$ 30,325,630	\$ 32,753,431	\$ 67,096,177	\$ 80,441,013
Deferred inflows of resources	\$ 9,168,433	\$ 184,180	\$ 2,013,269	\$ 57,328	\$ 11,181,702	\$ 241,508
Net position:						
Net investment in capital assets	\$ 9,218,432	\$ 9,375,841	\$ 26,842,796	\$ 26,753,935	\$ 36,061,228	\$ 36,129,776
Unrestricted	(8,128,912)	(8,510,553)	6,170,627	8,228,683	(1,958,285)	(281,870)
Total net position	\$ 1,089,520	\$ 865,288	\$ 33,013,423	\$ 34,982,618	\$ 34,102,943	\$ 35,847,906
Total liabilities, deferred inflows of resources and net position	\$ 47,028,500	\$ 48,737,050	\$ 65,352,322	\$ 67,793,377	\$ 112,380,822	\$ 116,530,427

At the end of FY2022, the City's net investment in capital assets is \$36,061,228, which exceeds total net position of \$34,102,943. 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.

Government-wide Financial Analysis (Continued)

At the end of the current Fiscal Year, the City's Governmental Activities net investment in capital assets is \$9,218,432.

Restricted Assets represent resources subject to external restrictions on how they may be used. In FY2022, the City held cash restricted for Electric and Water customer deposits totaling \$310,112.

Governmental Activities - Governmental activities increased Martinsville City's net position by \$224,232. The key elements of this decrease are found in exhibit 2.

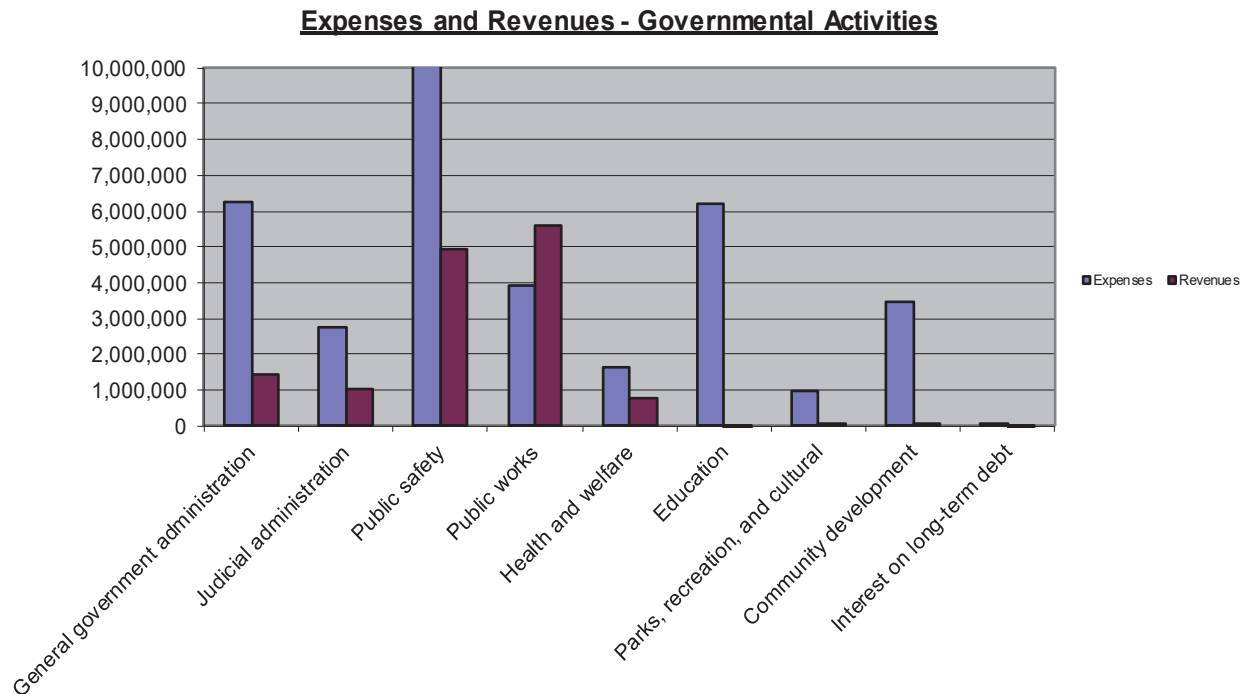
City of Martinsville, Virginia
Changes in Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 2,569,155	\$ 2,396,443	\$ 28,900,689	\$ 29,108,722	\$ 31,469,844	\$ 31,505,165
Operating grants and contributions	11,175,463	11,366,987	-	-	11,175,463	11,366,987
Capital grants and contributions	179,625	2,221,585	57,989	522,011	237,614	2,743,596
General revenues:						
General property taxes	9,681,294	9,448,108	-	-	9,681,294	9,448,108
Other local taxes	9,019,241	8,094,031	-	-	9,019,241	8,094,031
Commonwealth non-categorical aid	1,403,996	1,436,736	-	-	1,403,996	1,436,736
Other general revenues	2,299,449	1,743,627	508,539	668,189	2,807,988	2,411,816
Total revenues	<u>\$ 36,328,223</u>	<u>\$ 36,707,517</u>	<u>\$ 29,467,217</u>	<u>\$ 30,298,922</u>	<u>\$ 65,795,440</u>	<u>\$ 67,006,439</u>
Expenses:						
General government administration	\$ 6,235,576	\$ 4,682,408	\$ -	\$ -	\$ 6,235,576	\$ 4,682,408
Judicial administration	2,767,408	2,762,578	-	-	2,767,408	2,762,578
Public safety	12,894,682	12,944,151	-	-	12,894,682	12,944,151
Public works	3,942,681	5,353,609	-	-	3,942,681	5,353,609
Health and welfare	1,625,251	1,469,097	-	-	1,625,251	1,469,097
Education	6,220,948	5,381,040	-	-	6,220,948	5,381,040
Parks, recreation, and cultural	990,529	935,267	-	-	990,529	935,267
Community development	3,478,652	5,332,000	-	-	3,478,652	5,332,000
Interest on long-term debt	89,952	103,981	-	-	89,952	103,981
Electric	-	-	20,597,013	17,591,291	20,597,013	17,591,291
Water	-	-	2,559,635	2,647,895	2,559,635	2,647,895
Sewer	-	-	4,141,061	4,469,997	4,141,061	4,469,997
Refuse collection/landfill	-	-	1,997,015	1,883,910	1,997,015	1,883,910
Total expenses	<u>\$ 38,245,679</u>	<u>\$ 38,964,131</u>	<u>\$ 29,294,724</u>	<u>\$ 26,593,093</u>	<u>\$ 67,540,403</u>	<u>\$ 65,557,224</u>
Change in net position before transfers	\$ (1,917,456)	\$ (2,256,614)	\$ 172,493	\$ 3,705,829	\$ (1,744,963)	\$ 1,449,215
Transfers	2,141,688	2,000,000	(2,141,688)	(2,000,000)	-	-
Change in net position	<u>\$ 224,232</u>	<u>\$ (256,614)</u>	<u>\$ (1,969,195)</u>	<u>\$ 1,705,829</u>	<u>\$ (1,744,963)</u>	<u>\$ 1,449,215</u>
Net position - beginning	865,288	1,121,902	34,982,618	33,276,789	35,847,906	34,398,691
Net position - ending	<u>\$ 1,089,520</u>	<u>\$ 865,288</u>	<u>\$ 33,013,423</u>	<u>\$ 34,982,618</u>	<u>\$ 34,102,943</u>	<u>\$ 35,847,906</u>

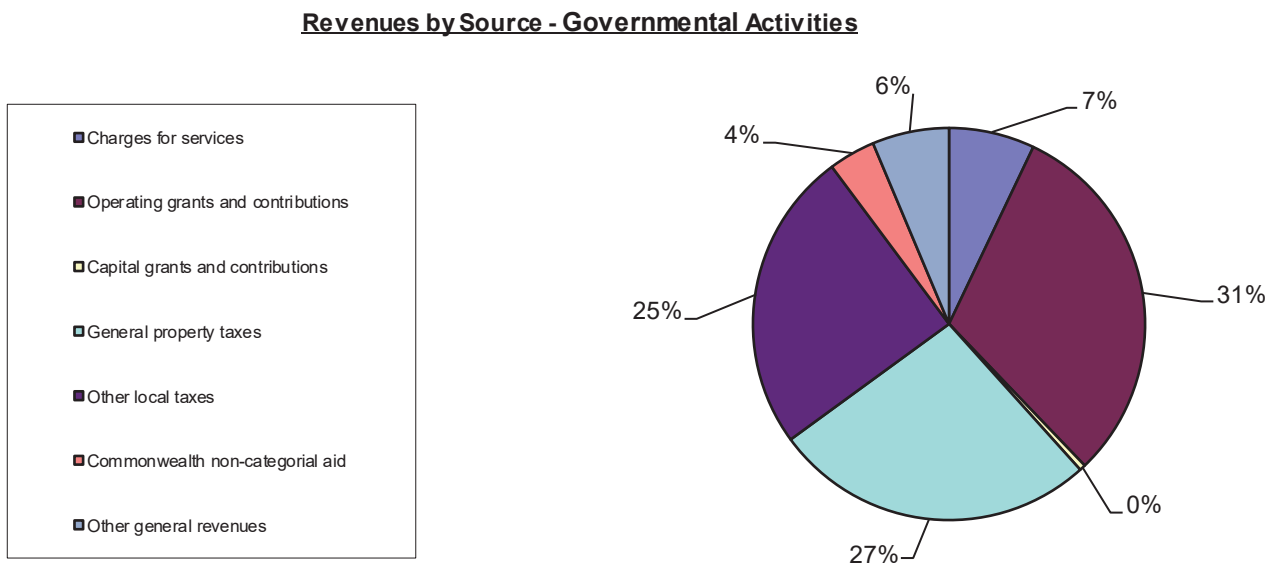
Government-wide Financial Analysis (Continued)

Revenues in governmental activities totaled \$36,328,223 with operating grants and contributions (30.76%), general property taxes (26.65%), and other local taxes (24.83%) comprising 82.24% of the City's revenues. Expenses for public safety (33.70%), education (16.26%), public works (10.34%), community development (9.09%), and general government administration (16.30%), account for 85.69% of total governmental expenses of \$38,245,679.

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 decreased the City's net position by \$1,969,195 after accounting for \$2,141,688 in transfers to the General Fund. Transfers out of business-type activities increased by \$141,688 compared to the prior fiscal year.

Financial Analysis of the City's Funds

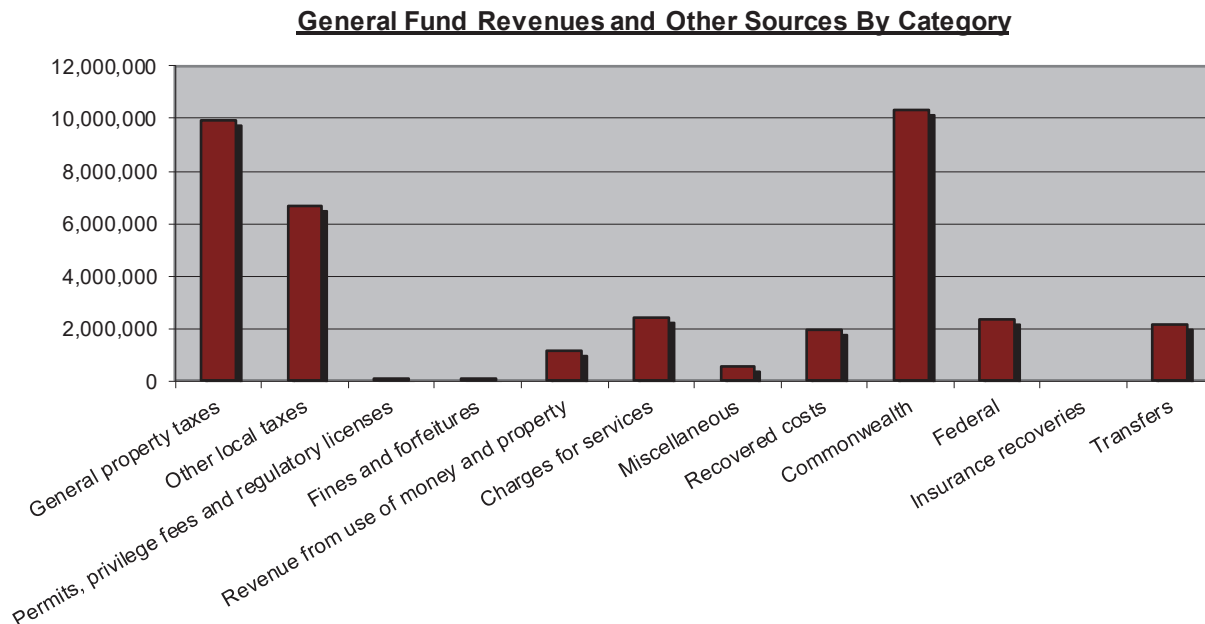
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 \$10,840,377 a decrease of \$467,647 when compared to the prior year. \$6,286,060, or 57.99%, of the combined governmental fund balance is unassigned. The remaining \$4,554,317, or 42.01%, of the total fund balance is nonspendable, committed or assigned to show it is not available for spending because it has been designated as nonspendable, committed or assigned for future projects.

The General Fund is the operating fund of the City. The General Fund reports a fund balance at June 30, 2022 of \$8,794,524. This is a decrease from the prior year of \$998,552. The General Fund expenditures exceeded revenues in the current year by \$2,277,380; the revenues exceeded expenditures in FY21 by \$1,003,330. The transfer amounts into the General Fund of \$2,141,688 increased by \$141,688 compared to FY21. There were transfers out of the General Fund totaling \$412,860. \$6,286,060, representing 71.48% of the total fund balance is unassigned, a decrease of \$1,288,226, compared to \$7,574,286 of unassigned fund balance from June 30, 2021. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 16.39% of total General Fund expenditures, while total fund balance is 22.87% of that same amount.

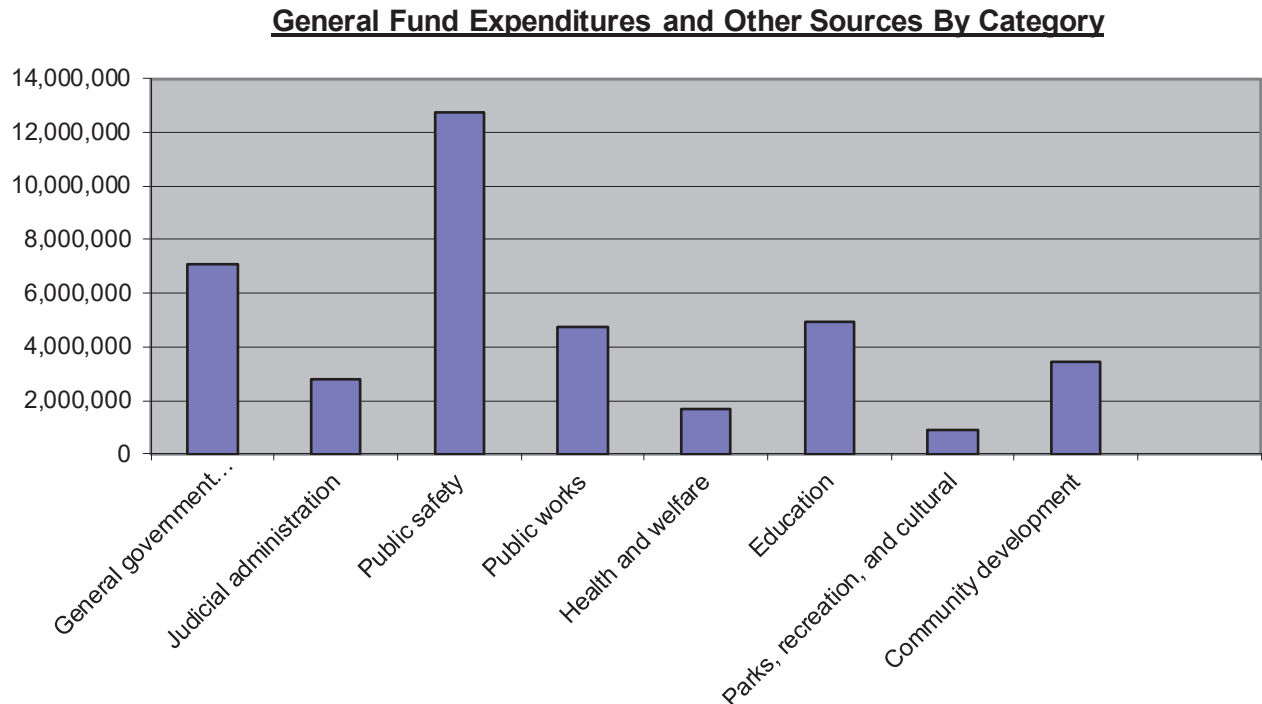
General Fund Revenues and Other Sources by Category

The following graph depicts General Fund revenues and other sources by categories. Total revenues and other sources are \$37,767,909, including transfers into the fund of \$2,141,688.



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 \$38,766,461.



Proprietary funds – reported combined ending net position of \$33,013,423, a decrease of \$1,969,195 in comparison with the amount reported on June 30, 2021. The Electric Fund decreased \$1,222,088; the Refuse Fund decreased \$827,250; the Water Fund decreased \$170,352; and the Sewer Fund increased \$250,495.

The Enterprise Funds contributed \$2,141,688 in the support of other City operations. Transfers were made to the General Fund in FY2022.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were as follows. Revenues were increased by \$174,405 or 0.56%, while expenditures increased by \$991,470 or 2.76%.

The Revenue increases (decreases) were as follows:

- \$805 in Permits, privilege fees and regulatory licenses
- \$1,686 in Miscellaneous
- \$159,156 in Intergovernmental revenues from the Commonwealth
- \$12,758 in Intergovernmental revenues from the Federal Government

The Expenditure amendments were as follows:

- \$115,718 in Judicial administration
- \$774,303 in Public Safety
- \$26,897 in Public Works
- \$74,552 in Community development

During the year, actual revenues were greater than budgeted by \$4,522,325 or 14.54%; actual expenditures were greater than the budget by \$1,390,952 or 3.76%. The result was a positive variance of \$3,131,373 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, 2022, is \$67,312,537 (net of accumulated depreciation) as listed in the table below. This investment in capital assets includes land, buildings and improvements, infrastructure, and machinery and equipment. Significant capital asset events during FY2022 were: public works equipment, patrol cars, trucks, refuse trucks, ambulance, and continuing facility renovations.

City of Martinsville, Virginia's Capital Assets June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 4,379,094	\$ 4,379,094	\$ 683,624	\$ 683,624	\$ 5,062,718	\$ 5,062,718
Buildings and improvements	14,654,966	15,747,925	6,779,238	6,779,238	21,434,204	22,527,163
Infrastructure	34,775,970	34,731,414	94,714,450	91,158,664	129,490,420	125,890,078
Equipment	12,458,033	12,110,125	10,326,784	9,817,545	22,784,817	21,927,670
Total	\$ 66,268,063	\$ 66,968,558	\$ 112,725,166	\$ 108,439,071	\$ 178,993,229	\$ 175,407,629
Less: accumulated depreciation	49,104,499	48,228,378	62,576,193	60,581,037	111,680,692	108,809,415
Net capital assets	<u>\$ 17,163,564</u>	<u>\$ 18,740,180</u>	<u>\$ 50,148,973</u>	<u>\$ 47,858,034</u>	<u>\$ 67,312,537</u>	<u>\$ 66,598,214</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 FY2022, Martinsville City had total outstanding obligations (not including pension or OPEB obligations) of \$34,529,706. Of this amount, \$7,574,611 comprises debt backed by the full faith and credit of the City. The remainder of the City’s debt represents bonds secured solely by specified revenue sources, i.e., revenue bonds and lease purchase agreements.

During the Fiscal Year, there was a net decrease in the City’s long-term debt of \$1,497,641. This amount does not include increases and decreases of the City’s pension and OPEB obligations.

The Commonwealth of Virginia imposes a legal limit of 10% of the assessed valuation of taxable real property on the amount of general obligation borrowing which a City may issue. On June 30, 2022 the City’s ratio of Net General Obligation Debt to Assessed Value was 1.17%. This was a decrease from the previous fiscal year.

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

Economic Factors Influencing FY2022 Budget and Tax Rates

The FY22 budget continued the strategy of streamlining expenses, funding essential capital expenditures, evaluating personnel vacancies on a case-by-case basis, and continued an internal cost allocation plan to ensure costs attributed to utility operations are fairly and accurately recovered in the City’s General Fund. City Council reduced the real estate tax rate from \$1.0621 to \$1.03975 per \$100 in an effort to lessen the tax burden resulting from increased assessment values. Additionally, for the FY23 budget, City Council voted to assess certain vehicles (passenger cars, small trucks, & motorcycles) at 80% of FMV retroactive to January 1, 2022 to lessen the tax burden resulting from increased assessment values. Other basic tax rates remain unchanged in FY22. Meals Tax revenue is generally applied to School debt service and capital needs while Cigarette Tax revenue simply accrues to General Fund revenue.

Looking Ahead – The Outlook for FY2023 - Opportunities and Challenges

The City faces both opportunities and challenges in FY23, including the following issues:

- 1. Covid-19 Impacts** – In late winter/spring of 2020, the Covid-19 pandemic impacted the national, state, and local economies as businesses closed or in some cases reduced hours and capacity in response to aggressive mandates aimed at reducing public exposure. Locally, those impacts hit the later months of the FY2020 budget and carried forward into FY2021 which resulted in higher unemployment and reductions in certain categories of local revenue, including utility receivables. A variety of grant programs have been utilized to provide assistance with utility payments and those efforts carry forward into FY23.
- 2. Unemployment, under-employment, and other workforce challenges** - After many years of experiencing higher unemployment relative to other localities around the state, Martinsville realized substantial and steady improvement – until the COVID-19 outbreak, and that number is now rebounding favorably. The unemployment rate for the City on June 30, 2022 was 4.9% , compared to 8.3% on June 30, 2021 and 14.3% on June 30, 2020. Since June 30 the rate has improved somewhat, but challenges continue to be reported by employers in filling vacant positions throughout the community with qualified individuals. Workforce issues will continue to be a challenge as economic growth and expansion occurs. Inability to fill City government positions will impact salary and benefit expenditures as well as overtime and contractual services.
- 3. Reductions in state aid and unfunded state mandates** - A continuing concern for the City is in regard to potential reductions in state aid during periods when state revenue fails to meet budget projections. This practice is unpredictable and creates additional financial stress for the City. The state's practice of failing to honor financial commitments to localities (HB599 funding, for example) as well as continuing to shift financial responsibility to the City for state mandated programs simply adds fiscal stress to already-stretched budgets.
- 4. Personnel Costs** - The City continues to address the rising cost of employee health care, market-related adjustments in the pay/classification plan to remain competitive, and changes in funding related to Virginia Retirement System contributions, all of which have a significant and continuing impact on the City's budget. Remaining competitive with pay and benefits in the regional market to retain and attract employee talent is a significant challenge, and not necessarily unique to Martinsville alone.
- 5. Policy** - The City Council approves the annual budget following staff recommendations, its own analysis of the needs of the City including the City's overall financial position and economic conditions, and after careful consideration of input and comments from the citizens. This methodical process has led to the development of conservative budget principles of minimizing increases in taxes and fees while maintaining the same levels of service that citizens are accustomed to receiving. Management and Council realize that the trend of providing current levels of services cannot continue indefinitely without increasing revenues/fees for service and/or without making changes in the manner at which local funds are expended.
- 6. Exploration of new revenue opportunities** - With direction from City Council, staff continues to explore opportunities for revenue growth. Continued expansion/growth of the City's fiber optic system shows potential and 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. In FY22, the City started expansion of fiber optic service into the residential areas with an initial pilot project and it is expected this expansion will occur over the next several years, ultimately serving all residential areas of the City. Once implemented, it is anticipated that revenue will be more than sufficient to cover cost.

Looking Ahead – The Outlook for FY2023 - Opportunities and Challenges: (Continued)

- 7. Exploration of opportunities to reduce costs/outsource** - City staff continues to investigate options for outsourcing certain governmental functions/operations in areas where service can be provided at least as good if not better at less cost than providing the same service internally. Outsourcing housing functions, changes in management of the City's baseball team, the Martinsville Mustangs, and continuing to contract with the Martinsville Chamber of Commerce's Partnership for Economic Growth for small business development are several examples. The City recently contracted with Martinsville Henry County YMCA to provide management of recreation services, again at a substantial savings while keeping services unchanged, and other such opportunities are being considered. The City's Electric Department in cooperation with AEP Energy recently completed a battery storage project that is expected to generate significant revenue for the City over the next 10 years.
- 8. Uptown Revitalization Projects** - In an effort to accelerate redevelopment of vacant or underutilized properties, the City is taking a more aggressive position on property acquisitions with the plan to leverage available funding through grants and/or other sources to repurpose properties for betterment of the community, and in many cases, the Uptown area specifically. The establishment of a Land Bank is expected to complement revitalization efforts with several potential projects being discussed. The City is involved with Uptown Partnership and anticipates assisting in funding for certain revitalization efforts in the uptown area.

The City's continued partnership with the Martinsville-Henry County Chamber of Commerce's – Partnership for Economic Growth for management of West Piedmont Business Development Center – a business incubator located in the heart of Uptown Martinsville is proving to be beneficial as CPEG continually maintains the Incubator at or near full capacity. Additionally, the City is involved with several Uptown redevelopment projects that should significantly and positively impact the Uptown area – redevelopment of the BB & T bank property; redevelopment of the building located at 62 Fayette Street; and potential redevelopment of the former American Plant 10 building located at the corner of Lester and Depot Streets.

- 9. Job Creation** - The City continues to partner with the EDC and Henry County in economic development. Going into FY23, efforts will continue to retain current business and industry, provide an atmosphere conducive to expansion, as well as to attract new business and industry.
- 10. Industrial Park Development** - The City and Henry County partner in economic development through joint funding of the Martinsville-Henry County Economic Development Corporation and also through a revenue sharing agreement at two County industrial parks. Under the agreement, the City is to receive one-third of the tax revenue generated after Henry County recoups its initial investment. One particular industrial park, Commonwealth Crossing Business Centre (CCBC), a 726 acre rail-served site, has become the focus of aggressive development efforts and grading of several large tracts at the site is complete. CCAT, the Commonwealth Center for Advanced Training, a 26,000 sf advanced manufacturing training facility has been completed and Press Glass, the first tenant at CCBC has completed and now operates from a \$43.5 million 280,000 sf manufacturing facility. Another firm, Crown Holdings is on site as the second tenant and construction is well underway on the planned \$145 million facility. A \$20 million expansion is also planned. There continues to be much interest in sites at both CCBC and the Patriot Centre.
- 11. Infrastructure Needs** - The City continues to address essential infrastructure needs, recently completing a number of projects – repairs to the sewer collection system, replaced water and electric meters with an automated system, upgraded street lighting, remediated an environmental issue at the closed City landfill, and recently completed repairs to the spillway at the City's reservoir. Costs for these projects are being handled either through utility rate adjustments or through a performance contract concept whereby operational savings realized from updated equipment covers project debt service. The City is also looking at other needed projects with American Rescue Plan Act (ARPA) funds being considered as a possible funding source in addition to grants and low/no interest loans.

Looking Ahead – The Outlook for FY2023 - Opportunities and Challenges: (Continued)

For fiscal year 2023, City Council approved a General Fund Budget of \$36,764,447 with no changes in utility rates, a 7% increase in refuse collection fees, and a decision to tax certain tangible personal property (certain vehicles) at 80% of FMV to account for substantial increases in assessed values and to provide relief to taxpayers.

Requests for Information

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

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Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
At June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 18,953,748	\$ 8,466,520	\$ 27,420,268	\$ 1,134,306
Cash and cash equivalents - restricted	-	310,112	310,112	-
Receivables (net of allowance for uncollectibles):				
Property taxes	1,459,277	-	1,459,277	-
Accounts receivable	618,493	3,679,779	4,298,272	-
Inventory	3,063,975	1,444,350	4,508,325	-
Due from other governments	786,871	-	786,871	2,647,388
Total Current Assets	\$ 24,882,364	\$ 13,900,761	\$ 38,783,125	\$ 3,781,694
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land and land improvements	\$ 4,379,094	\$ 683,624	\$ 5,062,718	\$ 47,172
Construction in progress	-	221,070	221,070	-
Buildings and improvements	5,344,120	2,096,289	7,440,409	12,400,463
Equipment	3,352,952	2,813,400	6,166,352	724,498
Infrastructure	4,087,398	44,334,590	48,421,988	-
Total Net Capital Assets	\$ 17,163,564	\$ 50,148,973	\$ 67,312,537	\$ 13,172,133
Total Noncurrent Assets	\$ 17,163,564	\$ 50,148,973	\$ 67,312,537	\$ 13,172,133
Total Assets	\$ 42,045,928	\$ 64,049,734	\$ 106,095,662	\$ 16,953,827
DEFERRED OUTFLOWS OF RESOURCES:				
Items related to:				
Pension	\$ 4,490,230	\$ 1,199,354	\$ 5,689,584	\$ 3,841,122
OPEB	492,342	103,234	595,576	428,789
Total deferred outflows of resources	\$ 4,982,572	\$ 1,302,588	\$ 6,285,160	\$ 4,269,911
Total assets and deferred outflows of resources	\$ 47,028,500	\$ 65,352,322	\$ 112,380,822	\$ 21,223,738
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 3,532,270	\$ 605,561	\$ 4,137,831	\$ 1,619,066
Accrued interest payable	194,254	58,256	252,510	-
Unearned revenues	7,118,601	-	7,118,601	-
Current portion of grant repayment liability	156,000	-	156,000	-
Current portion of long-term obligations	1,176,527	1,316,704	2,493,231	-
Total Current Liabilities	\$ 12,177,652	\$ 1,980,521	\$ 14,158,173	\$ 1,619,066
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations	\$ 24,592,895	\$ 28,345,109	\$ 52,938,004	\$ 14,614,773
Total Noncurrent Liabilities	\$ 24,592,895	\$ 28,345,109	\$ 52,938,004	\$ 14,614,773
Total Liabilities	\$ 36,770,547	\$ 30,325,630	\$ 67,096,177	\$ 16,233,839
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 65,497	-	\$ 65,497	-
Items related to:				
Pension	8,842,397	1,959,556	10,801,953	8,802,183
OPEB	260,539	53,713	314,252	627,044
Total deferred inflows of resources	\$ 9,168,433	\$ 2,013,269	\$ 11,181,702	\$ 9,429,227
NET POSITION				
Net investment in capital assets	\$ 9,218,432	\$ 26,842,796	\$ 36,061,228	\$ 13,172,133
Unrestricted	(8,128,912)	6,170,627	(1,958,285)	(17,611,461)
Total Net Position	\$ 1,089,520	\$ 33,013,423	\$ 34,102,943	\$ (4,439,328)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 47,028,500	\$ 65,352,322	\$ 112,380,822	\$ 21,223,738

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

CITY OF MARTINSVILLE, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 6,235,576	\$ 52,987	\$ 1,400,975	\$ -
Judicial administration	2,767,408	132,617	891,637	-
Public safety	12,894,682	754,526	4,140,591	47,321
Public works	3,942,681	1,629,025	3,825,406	132,304
Health and welfare	1,625,251	-	764,404	-
Education	6,220,948	-	-	-
Parks, recreation, and cultural	990,529	-	87,932	-
Community development	3,478,652	-	64,518	-
Interest on long-term debt	89,952	-	-	-
Total governmental activities	\$ 38,245,679	\$ 2,569,155	\$ 11,175,463	\$ 179,625
Business-type activities:				
Electric	\$ 20,597,013	\$ 19,242,484	\$ -	\$ 32,338
Water	2,559,635	3,555,725	-	25,651
Sewer	4,141,061	4,362,696	-	-
Refuse collection / landfill	1,997,015	1,739,784	-	-
Total business-type activities	\$ 29,294,724	\$ 28,900,689	\$ -	\$ 57,989
Total primary government	\$ 67,540,403	\$ 31,469,844	\$ 11,175,463	\$ 237,614
COMPONENT UNIT:				
School Board	\$ 25,111,258	\$ 145,639	\$ 22,951,600	\$ -
General revenues:				
General property taxes				
Local sales tax				
Business license tax				
Meals tax				
Consumer utility tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
City contribution to the school board, unrestricted				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	School Board	Functions/Programs
PRIMARY GOVERNMENT:				
Governmental activities:				
\$ (4,781,614)	\$ -	\$ (4,781,614)	\$ -	General government administration
(1,743,154)	-	(1,743,154)	-	Judicial administration
(7,952,244)	-	(7,952,244)	-	Public safety
1,644,054	-	1,644,054	-	Public works
(860,847)	-	(860,847)	-	Health and welfare
(6,220,948)	-	(6,220,948)	-	Education
(902,597)	-	(902,597)	-	Parks, recreation, and cultural
(3,414,134)	-	(3,414,134)	-	Community development
(89,952)	-	(89,952)	-	Interest on long-term debt
\$ (24,321,436)	\$ -	\$ (24,321,436)	\$ -	Total government activities
Business-type activities:				
\$ -	\$ (1,322,191)	\$ (1,322,191)	\$ -	Electric
-	1,021,741	1,021,741	-	Water
-	221,635	221,635	-	Sewer
-	(257,231)	(257,231)	-	Refuse collection / landfill
\$ -	\$ (336,046)	\$ (336,046)	\$ -	Total business-type activities
\$ (24,321,436)	\$ (336,046)	\$ (24,657,482)	\$ -	Total primary government
COMPONENT UNIT:				
\$ -	\$ -	\$ -	\$ (2,014,019)	School Board
General revenues:				
\$ 9,681,294	\$ -	\$ 9,681,294	\$ -	General property taxes
2,765,851	-	2,765,851	-	Local sales tax
2,157,701	-	2,157,701	-	Business license tax
2,340,491	-	2,340,491	-	Meals tax
585,152	-	585,152	-	Consumer utility tax
1,170,046	-	1,170,046	-	Other local taxes
1,207,421	25,512	1,232,933	42,733	Unrestricted revenues from use of money and property
1,092,028	483,027	1,575,055	407,551	Miscellaneous
1,403,996	-	1,403,996	-	Grants and contributions not restricted to specific programs
-	-	-	4,940,076	City contribution to the school board, unrestricted
2,141,688	(2,141,688)	-	-	Transfers
\$ 24,545,668	\$ (1,633,149)	\$ 22,912,519	\$ 5,390,360	Total general revenues and transfers
\$ 224,232	\$ (1,969,195)	\$ (1,744,963)	\$ 3,376,341	Change in net position
865,288	34,982,618	35,847,906	(7,815,669)	Net position - beginning
\$ 1,089,520	\$ 33,013,423	\$ 34,102,943	\$ (4,439,328)	Net position - ending

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Fund Financial Statements

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Balance Sheet - Governmental Funds
At June 30, 2022

	General	Meals Tax Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 16,851,552	\$ 1,253,467	\$ 848,729	\$ 18,953,748
Receivables (net of allowance for uncollectibles):				
Taxes, including penalties	1,459,277	-	-	1,459,277
Accounts	618,493	-	-	618,493
Inventory	1,453,499	-	-	1,453,499
Due from other governments	786,871	-	-	786,871
Total assets	<u>\$ 21,169,692</u>	<u>\$ 1,253,467</u>	<u>\$ 848,729</u>	<u>\$ 23,271,888</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 3,475,927	\$ -	\$ 56,343	\$ 3,532,270
Unearned revenue	7,118,601	-	-	7,118,601
Total liabilities	<u>\$ 10,594,528</u>	<u>\$ -</u>	<u>\$ 56,343</u>	<u>\$ 10,650,871</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 1,222,419	\$ -	\$ -	\$ 1,222,419
Unavailable revenue-opioid settlement	558,221	-	-	558,221
Total deferred inflows of resources	<u>\$ 1,780,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,780,640</u>
FUND BALANCES				
Nonspendable:				
Inventory	\$ 1,453,499	\$ -	\$ -	\$ 1,453,499
Committed:				
Judicial administration	4,364	-	-	4,364
Public safety	674,756	-	-	674,756
Public works	321,463	-	-	321,463
Community development	54,382	-	-	54,382
Assigned:				
Capital reserve fund	-	-	691,431	691,431
Special revenue	-	-	100,955	100,955
Meals tax fund	-	1,253,467	-	1,253,467
Unassigned	6,286,060	-	-	6,286,060
Total fund balances	<u>\$ 8,794,524</u>	<u>\$ 1,253,467</u>	<u>\$ 792,386</u>	<u>\$ 10,840,377</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,169,692</u>	<u>\$ 1,253,467</u>	<u>\$ 848,729</u>	<u>\$ 23,271,888</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	\$ 10,840,377
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	17,163,564
Inventory of land and buildings held for resale	1,610,476
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Unavailable revenue - property taxes	\$ 1,156,922
Unavailable revenue - opioid settlement	558,221
	1,715,143
Items related to the measurement of the net pension and group life insurance OPEB liabilities are considered deferred outflows and deferred inflows and will be amortized and recognized as expenses in future periods.	
Deferred outflows related to:	
Pension items	\$ 4,490,230
OPEB items	492,342
	4,982,572
Deferred inflows related to:	
Pension items	\$ (8,842,397)
OPEB items	(260,539)
	(9,102,936)
Long-term liabilities, including bonds payable and grant repayment liabilities, are not due and payable in the current period and therefore, are not reported in the funds. All liabilities--both current and long-term--are reported in the statement of net position.	(25,925,422)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(194,254)
Net position of General Government Activities	<u>\$ 1,089,520</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General	Meals Tax Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes	\$ 9,941,727	\$ -	\$ -	\$ 9,941,727
Other local taxes	6,678,750	2,340,491	-	9,019,241
Permits, privilege fees and regulatory licenses	93,850	-	-	93,850
Fines and forfeitures	86,287	-	-	86,287
Revenue from use of money and property	1,184,522	-	22,899	1,207,421
Charges for services	2,389,019	-	-	2,389,019
Miscellaneous	533,807	-	-	533,807
Recovered costs	1,980,275	-	-	1,980,275
Intergovernmental:				
Commonwealth	10,355,671	-	-	10,355,671
Federal	2,382,313	372,720	21,100	2,776,133
Total revenues	\$ 35,626,221	\$ 2,713,211	\$ 43,999	\$ 38,383,431
Expenditures:				
Current:				
General government administration	\$ 7,095,072	\$ 62,904	\$ 80,214	\$ 7,238,190
Judicial administration	2,810,364	-	-	2,810,364
Public safety	12,735,369	-	381,561	13,116,930
Public works	4,729,547	-	88,314	4,817,861
Health and welfare	1,659,407	-	-	1,659,407
Education	4,959,911	-	-	4,959,911
Parks, recreation, and cultural	917,147	-	99,923	1,017,070
Community development	3,446,784	-	39,775	3,486,559
Debt service:				
Principal retirement	-	1,092,959	326,248	1,419,207
Interest and other fiscal charges	-	432,163	35,104	467,267
Total expenditures	\$ 38,353,601	\$ 1,588,026	\$ 1,051,139	\$ 40,992,766
Excess (deficiency) of revenues over (under) expenditures	\$ (2,727,380)	\$ 1,125,185	\$ (1,007,140)	\$ (2,609,335)
Other financing sources (uses):				
Transfers in	\$ 2,141,688	\$ -	\$ 1,297,554	\$ 3,439,242
Transfers (out)	(412,860)	(884,694)	-	(1,297,554)
Total other financing sources (uses)	\$ 1,728,828	\$ (884,694)	\$ 1,297,554	\$ 2,141,688
Changes in fund balances	\$ (998,552)	\$ 240,491	\$ 290,414	\$ (467,647)
Fund balances at beginning of year	9,793,076	1,012,976	501,972	11,308,024
Fund balances at end of year	\$ 8,794,524	\$ 1,253,467	\$ 792,386	\$ 10,840,377

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, 2022

		<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	\$	(467,647)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current year.		
Capital outlays	\$ 770,818	
Depreciation expense	<u>(1,244,238)</u>	(473,420)
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position		(10,239)
Inventory of land and buildings purchased during the year and held for resale		14,000
Transfer of joint tenancy assets from Primary Government to the Component Unit		(1,092,959)
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 revenue - property taxes	\$ (260,433)	
Change in unavailable revenue - opioid settlement	558,221	
Change in deferred inflows related to the measurement of:		
Pension items	(8,826,494)	
OPEB items	<u>(203,078)</u>	(8,731,784)
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, similar items when obligations are first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Details supporting this adjustment are as follows:		
Principal retired on general obligation bonds	\$ 87,400	
Principal retired on capital financing activities	238,848	
Principal retired on VPA subsidy bonds	1,092,959	
Repayment of grant funds	<u>156,000</u>	1,575,207
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	\$ (39,311)	
Change in deferred outflows related to:		
Pension items	(1,168,279)	
OPEB items	121,385	
Change in net pension liability	10,130,785	
Change in net OPEB liability - group life insurance	272,691	
Change in total Pay-as-you-Go OPEB liability	89,209	
Change in accrued interest payable	<u>4,594</u>	9,411,074
Change in net position of governmental activities	\$	<u><u>224,232</u></u>

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

Proprietary Funds
Statement of Net Position
At June 30, 2022

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 307,121	\$ 4,041,790	\$ 1,919,986	\$ 2,197,623	\$ 8,466,520
Cash and cash equivalents - restricted	273,457	36,655	-	-	310,112
Receivables (net of allowance for uncollectibles):	2,558,399	455,126	420,002	246,252	3,679,779
Inventory	1,222,745	221,605	-	-	1,444,350
Total current assets	\$ 4,361,722	\$ 4,755,176	\$ 2,339,988	\$ 2,443,875	\$ 13,900,761
Noncurrent Assets					
Capital assets:					
Land	\$ -	\$ 658,224	\$ 25,400	\$ -	\$ 683,624
Construction in progress	-	-	221,070	-	221,070
Buildings and improvements	586,744	1,993,728	1,230,905	2,967,861	6,779,238
Equipment	3,424,155	1,798,032	2,616,498	2,488,099	10,326,784
Infrastructure	40,360,226	18,729,337	35,624,887	-	94,714,450
Accumulated depreciation	(26,486,937)	(13,444,830)	(19,197,640)	(3,446,786)	(62,576,193)
Total capital assets (net of accumulated depreciation)	\$ 17,884,188	\$ 9,734,491	\$ 20,521,120	\$ 2,009,174	\$ 50,148,973
Total assets	\$ 22,245,910	\$ 14,489,667	\$ 22,861,108	\$ 4,453,049	\$ 64,049,734
Deferred Outflows of Resources					
Items related to:					
Pension	\$ 397,390	\$ 295,443	\$ 385,020	\$ 121,501	\$ 1,199,354
OPEB	27,862	21,789	42,633	10,950	103,234
Total deferred outflows of resources	\$ 425,252	\$ 317,232	\$ 427,653	\$ 132,451	\$ 1,302,588
Total assets and deferred outflows of resources	\$ 22,671,162	\$ 14,806,899	\$ 23,288,761	\$ 4,585,500	\$ 65,352,322
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 49,423	\$ 44,559	\$ 132,749	\$ 68,718	\$ 295,449
Customers' deposits	273,457	36,655	-	-	310,112
Interest payable	34,827	18,677	-	4,752	58,256
Current portion of long-term obligations	314,260	313,169	643,159	46,116	1,316,704
Total current liabilities	\$ 671,967	\$ 413,060	\$ 775,908	\$ 119,586	\$ 1,980,521
Noncurrent liabilities:					
Noncurrent portion of long-term obligations	4,259,144	4,858,249	16,126,998	3,100,718	28,345,109
Total liabilities	\$ 4,931,111	\$ 5,271,309	\$ 16,902,906	\$ 3,220,304	\$ 30,325,630
Deferred Inflows of Resources					
Items related to:					
Pension	\$ 559,736	\$ 430,167	\$ 765,548	\$ 204,105	\$ 1,959,556
OPEB	14,404	11,265	22,350	5,694	53,713
Total deferred inflows of resources:	\$ 574,140	\$ 441,432	\$ 787,898	\$ 209,799	\$ 2,013,269
NET POSITION					
Net investment in capital assets	\$ 14,410,617	\$ 5,485,084	\$ 5,314,922	\$ 1,632,173	\$ 26,842,796
Unrestricted	2,755,294	3,609,074	283,035	(476,776)	6,170,627
Total net position	\$ 17,165,911	\$ 9,094,158	\$ 5,597,957	\$ 1,155,397	\$ 33,013,423
Total liabilities, deferred inflows of resources and net position	\$ 22,671,162	\$ 14,806,899	\$ 23,288,761	\$ 4,585,500	\$ 65,352,322

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

Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2022

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Operating revenues:					
Charges for services	\$ 19,242,484	\$ 3,555,725	\$ 4,362,696	\$ 1,739,784	\$ 28,900,689
Miscellaneous	107,393	248,965	-	126,669	483,027
Total operating revenues	\$ 19,349,877	\$ 3,804,690	\$ 4,362,696	\$ 1,866,453	\$ 29,383,716
Operating expenses:					
Personnel services	\$ 813,564	\$ 669,757	\$ 1,057,942	\$ 317,364	\$ 2,858,627
Fringe benefits	194,119	115,149	407,456	241,103	957,827
Contractual services	216,943	113,359	32,323	123,992	486,617
Other charges	18,641,713	1,165,204	1,928,045	1,081,744	22,816,706
Depreciation	641,578	435,885	715,295	222,398	2,015,156
Total operating expenses	\$ 20,507,917	\$ 2,499,354	\$ 4,141,061	\$ 1,986,601	\$ 29,134,933
Operating income (loss)	\$ (1,158,040)	\$ 1,305,336	\$ 221,635	\$ (120,148)	\$ 248,783
Nonoperating revenues (expenses):					
Federal grants	\$ 25,048	\$ 3,942	\$ 3,348	\$ -	\$ 32,338
State grants	-	25,651	-	-	25,651
Interest income	-	-	25,512	-	25,512
Interest expense	(89,096)	(60,281)	-	(10,414)	(159,791)
Total nonoperating revenues (expenses)	\$ (64,048)	\$ (30,688)	\$ 28,860	\$ (10,414)	\$ (76,290)
Income (loss) before transfers	\$ (1,222,088)	\$ 1,274,648	\$ 250,495	\$ (130,562)	\$ 172,493
Transfers:					
Transfers (out)	\$ -	\$ (1,445,000)	\$ -	\$ (696,688)	\$ (2,141,688)
Change in net position	\$ (1,222,088)	\$ (170,352)	\$ 250,495	\$ (827,250)	\$ (1,969,195)
Net position at beginning of year	18,387,999	9,264,510	5,347,462	1,982,647	34,982,618
Net position at end of year	\$ 17,165,911	\$ 9,094,158	\$ 5,597,957	\$ 1,155,397	\$ 33,013,423

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

Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2022

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 20,616,024	\$ 3,952,523	\$ 4,407,279	\$ 1,892,683	\$ 30,868,509
Payments to suppliers and other operating expenses	(19,132,861)	(1,470,008)	(1,958,586)	(1,093,769)	(23,655,224)
Payments to employees (including fringe benefits)	(1,077,040)	(793,863)	(1,464,887)	(540,075)	(3,875,865)
Net cash provided by (used for) operating activities	\$ 406,123	\$ 1,688,652	\$ 983,806	\$ 258,839	\$ 3,337,420
Cash Flows From Capital and Related Financing Activities:					
Purchase and construction of capital assets	\$ (910,008)	\$ (182,753)	\$ (440,901)	\$ (316,664)	\$ (1,850,326)
Issuance of water and sewer revenue bonds	-	973,664	-	-	973,664
Federal grants	25,048	3,942	3,348	-	32,338
State grants	-	25,651	-	-	25,651
Retirement of general obligation bonds	-	-	-	(41,000)	(41,000)
Retirement of revenue bonds	-	-	(634,336)	-	(634,336)
Retirement of lease obligations	(299,000)	(253,023)	-	-	(552,023)
Interest expense	(92,131)	(62,362)	-	(10,931)	(165,424)
Net cash provided by (used for) capital and related financing activities	\$ (1,276,091)	\$ 505,119	\$ (1,071,889)	\$ (368,595)	\$ (2,211,456)
Cash Flows From Noncapital Financing Activities:					
Transfers	\$ -	\$ (1,445,000)	\$ -	\$ (696,688)	\$ (2,141,688)
Net cash provided by (used for) noncapital financing activities	\$ -	\$ (1,445,000)	\$ -	\$ (696,688)	\$ (2,141,688)
Cash Flows From Investing Activities:					
Interest income	\$ -	\$ -	\$ 25,512	\$ -	\$ 25,512
Net Increase (decrease) in cash and cash equivalents	\$ (869,968)	\$ 748,771	\$ (62,571)	\$ (806,444)	\$ (990,212)
Cash and cash equivalents at beginning of year	1,450,546	3,329,674	1,982,557	3,004,067	9,766,844
Cash and cash equivalents at end of year	\$ 580,578	\$ 4,078,445	\$ 1,919,986	\$ 2,197,623	\$ 8,776,632
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (1,158,040)	\$ 1,305,336	\$ 221,635	\$ (120,148)	\$ 248,783
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	\$ 641,578	\$ 435,885	\$ 715,295	\$ 222,398	\$ 2,015,156
Changes in operating activities:					
(Increase) decrease in:					
Accounts receivable	1,190,035	131,699	44,583	26,230	1,392,547
Inventory	(103,894)	24,741	-	-	(79,153)
Increase (decrease) in:					
Accounts payable	(170,311)	(216,186)	1,782	8,817	(375,898)
Deferred outflows of resources	(91,999)	(55,202)	109,932	9,867	(27,402)
Deferred inflows of resources	526,044	437,419	783,729	208,749	1,955,941
Net pension liability	(467,231)	(374,892)	(879,170)	(206,780)	(1,928,073)
Net OPEB liability - group life insurance	(18,220)	(12,031)	(22,188)	(5,446)	(57,885)
Total Pay-as-you-Go OPEB liability	(25,854)	(11,474)	(183)	2,718	(34,793)
Compensated absences	7,903	7,223	8,391	9,284	32,801
Landfill closure and post-closure liability	-	-	-	103,150	103,150
Customer deposits	76,112	16,134	-	-	92,246
Total adjustments	\$ 1,564,163	\$ 383,316	\$ 762,171	\$ 378,987	\$ 3,088,637
Net cash provided by (used for) operating activities	\$ 406,123	\$ 1,688,652	\$ 983,806	\$ 258,839	\$ 3,337,420

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

Statement of Fiduciary Net Position
Custodial Funds
At June 30, 2022

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 1,495,890
Due from other governments	<u>6,866</u>
Total assets	<u><u>\$ 1,502,756</u></u>
LIABILITIES	
Accounts payable	\$ <u>86,236</u>
Total liabilities	<u>\$ 86,236</u>
NET POSITION	
Restricted for:	
Employee benefits	\$ 544,872
Inmates	19,727
Piedmont Regional Criminal Justice Training Academy	425,374
Southern Virginia Recreation Facility Authority	108,055
Blue Ridge Regional Library	244,477
Dan River ASAP	<u>74,015</u>
Total net position	<u>\$ 1,416,520</u>
Total liabilities and net position	<u><u>\$ 1,502,756</u></u>

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

Statement of Changes in Fiduciary Net Position
 Custodial Funds
 For the Year Ended June 30, 2022

	Custodial Funds
ADDITIONS	
Employee deferrals	\$ 4,733,945
Interest income	6,961
Collections for inmates	286,924
Collections for Piedmont Regional Criminal Justice Training Academy	444,836
Collections for Southern Virginia Recreation Facility Authority	496,612
Collections for Blue Ridge Regional Library	1,978,940
Collections for Dan River ASAP	192,416
Total additions	\$ <u>8,140,634</u>
DEDUCTIONS	
Retirement benefits	\$ 4,695,103
Disbursements for inmates	295,599
Disbursements for Piedmont Regional Criminal Justice Training Academy	429,272
Disbursements for Southern Virginia Recreation Facility Authority	526,660
Disbursements for Blue Ridge Regional Library	1,998,625
Disbursements for Dan River ASAP	196,987
Total deductions	\$ <u>8,142,246</u>
Net increase (decrease) in fiduciary net position	\$ <u>(1,612)</u>
Net position, beginning of year	\$ <u>1,418,132</u>
Net position, end of year	\$ <u><u>1,416,520</u></u>

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements As of June 30, 2022

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 - The financial statements are required to be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide and Fund Financial Statements

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

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

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

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Government-wide and Fund Financial Statements: (Continued)

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 government-wide financial statements to emphasize it is both legally and substantively separate from the government.

B. Individual Component Unit Disclosures

Blended Component Unit. The City has no blended component units at June 30, 2022.

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, 2022.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

C. Other Related Organizations

Included in the City's Financial Report

None

Excluded from the City's Financial Report

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

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

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

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

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.

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 and is a major 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

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

1. Governmental Funds: (Continued)

The City reports the following nonmajor governmental funds:

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

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

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

Enterprise Funds – Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

G. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$2,121,953 at June 30, 2022, and is composed of the following:

General Fund

Allowance for uncollectible property taxes	\$ <u>471,922</u>
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Enterprise Funds

Allowance for uncollectible accounts:

Electric Fund	\$ 1,150,270
Water Fund	200,424
Sewer Fund	189,068
Refuse Collection/Landfill Fund	<u>110,269</u>

Total allowance for uncollectible accounts – Enterprise funds	\$ <u>1,650,031</u>
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Total allowance for uncollectible accounts	\$ <u><u>2,121,953</u></u>
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CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

G. Receivables and Payables: (Continued)

Real and Personal Property Tax Data:

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

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

The City bills and collects its own property taxes.

H. Inventory

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

I. Prepaid Items

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

J. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For infrastructure asset the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$50,000 are reported as capital assets.

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

J. Capital Assets: (Continued)

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
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 includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net assets 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, 2nd half installments levied during the fiscal year but due after June 30th, 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, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB, leases, and opioid settlement are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s and School Board’s Retirement Plan and the additions to/deductions from the City’s and School Board’s Retirement Plan’s fiduciary net 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC, and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the statement of net position. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement. A liability for these amounts is recorded in the governmental funds only if they have matured, for example, as a result of employee retirement.

O. Unbilled Revenue

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

P. Use of Estimates

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

Q. Fund Balance

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

- Nonspendable fund balance - amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the City Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Q. Fund Balance: (Continued)

- 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, that does not lapse at year end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

R. Net Position

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

S. Leases

A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The City recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor

The City recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The City monitors changes in circumstances that would require a remeasurement or modification of its leases. The City will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable

T. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

T. Long-term Obligations: (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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

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

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

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

V. Upcoming Pronouncements

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

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

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

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

V. Upcoming Pronouncements: (Continued)

Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before April 30th, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance.
4. The Appropriations Ordinance places legal restrictions on expenditures at the Fund level. The appropriation for each Fund can be revised only by the City Council. The City Manager is authorized to transfer budgeted amounts within a specific Fund; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all City units.
8. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (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.

Restricted cash and cash equivalents at June 30, 2022 consist of the following:

	Electric Fund	Water Fund	Total
Proprietary Funds:			
Utility customer deposits	\$ 273,457	\$ 36,655	\$ 310,112
Total	<u>\$ 273,457</u>	<u>\$ 36,655</u>	<u>\$ 310,112</u>

The component unit school board is part of the City's pooled cash and has a net balance in the amount of \$1,134,306 at June 30, 2022.

Note 4—Due from Other Governments:

At June 30, 2022, the City has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 200,622	\$ -
State sales tax	-	270,522
Constitutional officer reimbursements	265,630	-
Victim witness grants	7,468	-
Children's services	204,577	-
Communication taxes	53,040	-
Auto rental tax	7,725	-
Miscellaneous	-	5,209
Federal Government:		
TANF grant - pass through	34,626	-
Victim witness grants	13,183	-
School fund grants	-	2,371,657
Total due from other governments	<u>\$ 786,871</u>	<u>\$ 2,647,388</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 5—Inventory:

At June 30, 2022, the City has inventory recorded in the various funds as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Expendable supplies	\$ 1,453,499	\$ 1,444,350
Land and building inventory held for resale:		
77 Commercial & residential lots held for resale	1,388,890	-
6 Commercial & residential buildings held for resale	221,586	-
Totals	<u>\$ 3,063,975</u>	<u>\$ 1,444,350</u>

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2022:

Primary Government:

Governmental Activities:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
Capital assets, not being depreciated:				
Land	\$ 4,379,094	\$ -	\$ -	\$ 4,379,094
Total capital assets not being depreciated	<u>\$ 4,379,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,379,094</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 7,931,855	\$ -	\$ -	\$ 7,931,855
Equipment	12,110,125	726,262	378,354	12,458,033
Infrastructure	34,731,414	44,556	-	34,775,970
Jointly owned assets	7,816,070	-	1,092,959	6,723,111
Total capital assets being depreciated	<u>\$ 62,589,464</u>	<u>\$ 770,818</u>	<u>\$ 1,471,313</u>	<u>\$ 61,888,969</u>
Accumulated depreciation:				
Buildings and improvements	\$ 4,991,650	\$ 198,111	\$ -	\$ 5,189,761
Equipment	8,751,861	721,335	368,115	9,105,081
Infrastructure	30,531,860	156,712	-	30,688,572
Jointly owned assets	3,953,007	168,078	-	4,121,085
Total accumulated depreciation	<u>\$ 48,228,378</u>	<u>\$ 1,244,236</u>	<u>\$ 368,115</u>	<u>\$ 49,104,499</u>
Total capital assets being depreciated, net	<u>\$ 14,361,086</u>	<u>\$ (473,418)</u>	<u>\$ 1,103,198</u>	<u>\$ 12,784,470</u>
Governmental activities capital assets, net	<u>\$ 18,740,180</u>	<u>\$ (473,418)</u>	<u>\$ 1,103,198</u>	<u>\$ 17,163,564</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 6—Capital Assets: (Continued)

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

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
Electric Fund:				
Capital assets being depreciated:				
Buildings and improvements	\$ 586,744	\$ -	\$ -	\$ 586,744
Equipment	3,315,252	108,903	-	3,424,155
Infrastructure	<u>39,559,121</u>	<u>801,105</u>	<u>-</u>	<u>40,360,226</u>
 Total capital assets being depreciated	 \$ <u>43,461,117</u>	 \$ <u>910,008</u>	 \$ <u>-</u>	 \$ <u>44,371,125</u>
Accumulated depreciation:				
Buildings and improvements	\$ 586,744	\$ -	\$ -	\$ 586,744
Equipment	2,498,180	132,914	-	2,631,094
Infrastructure	<u>22,760,435</u>	<u>508,664</u>	<u>-</u>	<u>23,269,099</u>
 Total accumulated depreciation	 \$ <u>25,845,359</u>	 \$ <u>641,578</u>	 \$ <u>-</u>	 \$ <u>26,486,937</u>
 Total capital assets being depreciated, net	 \$ <u>17,615,758</u>	 \$ <u>268,430</u>	 \$ <u>-</u>	 \$ <u>17,884,188</u>
 Electric fund capital assets, net	 \$ <u><u>17,615,758</u></u>	 \$ <u><u>268,430</u></u>	 \$ <u><u>-</u></u>	 \$ <u><u>17,884,188</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Water Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 658,224	\$ -	\$ -	\$ 658,224
Construction in progress	<u>2,455,770</u>	<u>-</u>	<u>2,455,770</u>	<u>-</u>
 Total capital assets not being depreciated	 <u>\$ 3,113,994</u>	 <u>\$ -</u>	 <u>\$ 2,455,770</u>	 <u>\$ 658,224</u>
 Capital assets being depreciated:				
Buildings and improvements	\$ 1,993,728	\$ -	\$ -	\$ 1,993,728
Equipment	1,770,936	27,096	-	1,798,032
Infrastructure	<u>16,117,910</u>	<u>2,611,427</u>	<u>-</u>	<u>18,729,337</u>
 Total capital assets being depreciated	 <u>\$ 19,882,574</u>	 <u>\$ 2,638,523</u>	 <u>\$ -</u>	 <u>\$ 22,521,097</u>
 Accumulated depreciation:				
Buildings and improvements	\$ 1,376,160	\$ 99,311	\$ -	\$ 1,475,471
Equipment	1,381,753	42,604	-	1,424,357
Infrastructure	<u>10,251,032</u>	<u>293,970</u>	<u>-</u>	<u>10,545,002</u>
 Total accumulated depreciation	 <u>\$ 13,008,945</u>	 <u>\$ 435,885</u>	 <u>\$ -</u>	 <u>\$ 13,444,830</u>
 Total capital assets being depreciated, net	 <u>\$ 6,873,629</u>	 <u>\$ 2,202,638</u>	 <u>\$ -</u>	 <u>\$ 9,076,267</u>
 Water fund capital assets, net	 <u><u>\$ 9,987,623</u></u>	 <u><u>\$ 2,202,638</u></u>	 <u><u>\$ 2,455,770</u></u>	 <u><u>\$ 9,734,491</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
Sewer Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 25,400	\$ -	\$ -	\$ 25,400
Construction in progress	<u>-</u>	<u>221,070</u>	<u>-</u>	<u>221,070</u>
Total capital assets not being depreciated	\$ <u>25,400</u>	\$ <u>221,070</u>	\$ <u>-</u>	\$ <u>246,470</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,230,905	\$ -	\$ -	\$ 1,230,905
Equipment	2,539,921	76,577	-	2,616,498
Infrastructure	<u>35,481,633</u>	<u>143,254</u>	<u>-</u>	<u>35,624,887</u>
Total capital assets being depreciated	\$ <u>39,252,459</u>	\$ <u>219,831</u>	\$ <u>-</u>	\$ <u>39,472,290</u>
Accumulated depreciation:				
Buildings and improvements	\$ 988,725	\$ 17,826	\$ -	\$ 1,006,551
Equipment	1,513,774	111,556	-	1,625,330
Infrastructure	<u>15,979,846</u>	<u>585,913</u>	<u>-</u>	<u>16,565,759</u>
Total accumulated depreciation	\$ <u>18,482,345</u>	\$ <u>715,295</u>	\$ <u>-</u>	\$ <u>19,197,640</u>
Total capital assets being depreciated, net	\$ <u>20,770,114</u>	\$ <u>(495,464)</u>	\$ <u>-</u>	\$ <u>20,274,650</u>
Sewer fund capital asset, net	<u>\$ 20,795,514</u>	<u>\$ (274,394)</u>	<u>\$ -</u>	<u>\$ 20,521,120</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 6—Capital Assets: (Continued)

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

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
Refuse Collection/Landfill Fund:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,967,861	\$ -	\$ -	\$ 2,967,861
Equipment	<u>2,191,436</u>	<u>316,663</u>	<u>20,000</u>	<u>2,488,099</u>
Total capital assets being depreciated	\$ <u>5,159,297</u>	\$ <u>316,663</u>	\$ <u>20,000</u>	\$ <u>5,455,960</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,475,029	\$ 139,154	\$ -	\$ 1,614,183
Equipment	<u>1,769,359</u>	<u>83,244</u>	<u>20,000</u>	<u>1,832,603</u>
Total accumulated depreciation	\$ <u>3,244,388</u>	\$ <u>222,398</u>	\$ <u>20,000</u>	\$ <u>3,446,786</u>
Total capital assets being depreciated, net	\$ <u>1,914,909</u>	\$ <u>94,265</u>	\$ -	\$ <u>2,009,174</u>
Refuse collection/landfill fund capital assets, net	\$ <u><u>1,914,909</u></u>	\$ <u><u>94,265</u></u>	\$ <u><u>-</u></u>	\$ <u><u>2,009,174</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities: (Continued)

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2021
Total Business-type Activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 683,624	\$ -	\$ -	\$ 683,624
Construction in progress	<u>2,455,770</u>	<u>221,070</u>	<u>2,455,770</u>	<u>221,070</u>
Total capital assets not being depreciated	<u>\$ 3,139,394</u>	<u>\$ 221,070</u>	<u>\$ 2,455,770</u>	<u>\$ 904,694</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,779,238	\$ -	\$ -	\$ 6,779,238
Equipment	9,817,545	529,239	20,000	10,326,784
Infrastructure	<u>91,158,664</u>	<u>3,555,786</u>	<u>-</u>	<u>94,714,450</u>
Total capital assets being depreciated	<u>\$ 107,755,447</u>	<u>\$ 4,085,025</u>	<u>\$ 20,000</u>	<u>\$ 111,820,472</u>
Accumulated depreciation:				
Buildings and improvements	\$ 4,426,658	\$ 256,291	\$ -	\$ 4,682,949
Equipment	7,163,066	370,318	20,000	7,513,384
Infrastructure	<u>48,991,313</u>	<u>1,388,547</u>	<u>-</u>	<u>50,379,860</u>
Total accumulated depreciation	<u>\$ 60,581,037</u>	<u>\$ 2,015,156</u>	<u>\$ 20,000</u>	<u>\$ 62,576,193</u>
Total capital assets being depreciated, net	<u>\$ 47,174,410</u>	<u>\$ 2,069,869</u>	<u>\$ -</u>	<u>\$ 49,244,279</u>
Total Business-type capital assets, net	<u><u>\$ 50,313,804</u></u>	<u><u>\$ 2,290,939</u></u>	<u><u>\$ 2,455,770</u></u>	<u><u>\$ 50,148,973</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 6—Capital Assets: (Continued)

Discretely Presented Component Unit—School Board:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
Discretely Presented Component Unit-School Board:				
Capital assets, not being depreciated:				
Land	\$ 47,172	\$ -	\$ -	\$ 47,172
Capital assets being depreciated:				
Buildings and improvements	\$ 8,096,308	\$ -	\$ -	\$ 8,096,308
Equipment	3,487,931	303,776	88,500	3,703,207
Jointly owned assets	15,920,688	1,092,959	-	17,013,647
Total capital assets being depreciated	\$ 27,504,927	\$ 1,396,735	\$ 88,500	\$ 28,813,162
Accumulated depreciation:				
Buildings and improvements	\$ 6,471,258	\$ 106,763	\$ -	\$ 6,578,021
Equipment	2,929,496	137,713	88,500	2,978,709
Jointly owned assets	5,706,130	425,341	-	6,131,471
Total accumulated depreciation	\$ 15,106,884	\$ 669,817	\$ 88,500	\$ 15,688,201
Total capital assets being depreciated, net	\$ 12,398,043	\$ 726,918	\$ -	\$ 13,124,961
School Board capital assets, net	\$ 12,445,215	\$ 726,918	\$ -	\$ 13,172,133

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 6—Capital Assets: (Continued)

The following is a summary of depreciation expense for the year ended June 30, 2022:

Governmental activities:

General government administration	\$	115,105
Judicial administration		1,159
Public safety		525,185
Public works		334,592
Health and welfare		9,596
Education		168,078
Parks, recreation and cultural		38,415
Community development		52,106
Total Governmental activities	\$	<u>1,244,236</u>

Business-type activities:

Electric	\$	641,578
Water		435,885
Sewer		715,295
Refuse collection / landfill		222,398
Total Business-type activities	\$	<u>2,015,156</u>

Component Unit School Board	\$	<u>244,476</u> *
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* Note accumulated depreciation transferred from the Primary Government to the Component Unit School Board on Jointly owned assets totals \$425,341 for the year ending June 30, 2022 when added to depreciation expense above totals \$669,817 total depreciation per the previous page.

Note 7—Interfund Transfers/Obligations:

Interfund transfers for the year ended June 30, 2022, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Activities:		
General Fund	\$ 2,141,688	\$ 412,860
Meals tax	-	884,694
Nonmajor governmental funds:		
Capital reserve	1,297,554	-
Proprietary Funds:		
Water	-	1,445,000
Refuse Collection/Landfill	-	696,688
Total	\$ <u>3,439,242</u>	\$ <u>3,439,242</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, 2022 (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, 2022:

	Balance July 1, 2021	Issuances/ Additions	Retirements/ Deletions	Balance June 30, 2022	Due Within One Year
Governmental Activities Obligations:					
Incurred by City:					
Direct borrowings and placements:					
General obligation bonds	\$ 561,900	\$ -	\$ 87,400	\$ 474,500	\$ 89,800
Capital financing activity	986,369	-	238,848	747,521	243,938
Compensated absences	613,927	122,785	83,474	653,238	65,324
Net pension liability	23,766,123	9,955,506	20,086,291	13,635,338	-
Net OPEB liability - group life insurance	906,745	179,835	452,526	634,054	-
Total OPEB liability - Pay-as-you-Go	2,990,867	237,013	326,220	2,901,660	-
Total incurred by City	\$ 29,825,931	\$ 10,495,139	\$ 21,274,759	\$ 19,046,311	\$ 399,062
Incurred by School Board:					
Direct borrowings and placements:					
VPA subsidy bonds	\$ 7,816,070	\$ -	\$ 1,092,959	\$ 6,723,111	\$ 777,465
Total incurred by School Board	\$ 7,816,070	\$ -	\$ 1,092,959	\$ 6,723,111	\$ 777,465
Total Governmental Activities Obligations	\$ 37,642,001	\$ 10,495,139	\$ 22,367,718	\$ 25,769,422	\$ 1,176,527
Business-type Activities Obligations:					
Direct borrowings and placements:					
General obligation bonds	\$ 418,000	\$ -	\$ 41,000	\$ 377,000	\$ 43,000
Revenue bonds	17,366,870	973,664	682,359	17,658,175	730,742
Capital financing activity	5,775,000	-	504,000	5,271,000	515,000
Compensated absences	246,819	82,166	49,364	279,621	27,962
Net pension liability	4,921,493	2,475,650	4,403,724	2,993,419	-
Net OPEB liability - group life insurance	188,601	38,548	96,433	130,716	-
Total OPEB liability - Pay-as-you-Go	641,133	61,395	96,188	606,340	-
Landfill closure and post-closure costs	2,242,392	103,150	-	2,345,542	-
Total Business-type Activities Obligations	\$ 31,800,308	\$ 3,734,573	\$ 5,873,068	\$ 29,661,813	\$ 1,316,704
Total Primary Government	\$ 69,442,309	\$ 14,229,712	\$ 28,240,786	\$ 55,431,235	\$ 2,493,231

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, 2022 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	Governmental Activities Obligations					Business-type Activities Obligations					
	Direct Borrowings and Direct Placements					Direct Borrowings and Direct Placements					
	General		Capital			General		Revenue Bonds		Capital	
	Obligation Bonds		Financing Activity			Obligation Bonds				Financing Activity	
	Principal	Interest	Principal	Interest		Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 89,800	\$ 13,049	\$ 243,938	\$ 14,561	\$	43,000	\$ 9,776	\$ 730,742	\$ 12,140	\$ 515,000	\$ 130,194
2024	92,300	10,579	249,137	9,363		44,000	8,580	731,225	11,657	522,000	117,473
2025	94,800	8,041	254,446	4,053		45,000	7,356	731,710	11,172	570,000	104,580
2026	97,500	5,434	-	-		46,000	6,105	732,197	10,684	638,000	90,501
2027	100,100	2,753	-	-		48,000	4,813	732,687	10,194	494,000	74,743
2028	-	-	-	-		49,000	3,479	733,179	9,702	501,000	62,541
2029	-	-	-	-		50,000	2,118	733,674	9,207	530,000	50,166
2030	-	-	-	-		52,000	715	734,172	8,710	561,000	37,075
2031	-	-	-	-		-	-	734,671	8,210	592,000	23,218
2032	-	-	-	-		-	-	735,174	7,708	348,000	8,596
2033	-	-	-	-		-	-	735,679	7,203	-	-
2034	-	-	-	-		-	-	736,186	6,696	-	-
2034	-	-	-	-		-	-	736,696	6,186	-	-
2036	-	-	-	-		-	-	737,208	5,673	-	-
2037	-	-	-	-		-	-	737,723	5,158	-	-
2038	-	-	-	-		-	-	738,241	4,641	-	-
2039	-	-	-	-		-	-	738,761	4,121	-	-
2040	-	-	-	-		-	-	739,284	3,598	-	-
2041	-	-	-	-		-	-	739,809	3,072	-	-
2042	-	-	-	-		-	-	740,337	2,544	-	-
2043	-	-	-	-		-	-	740,868	2,014	-	-
2044	-	-	-	-		-	-	741,401	1,480	-	-
2045	-	-	-	-		-	-	741,937	944	-	-
2046	-	-	-	-		-	-	563,905	406	-	-
2047	-	-	-	-		-	-	160,709	-	-	-
Total	\$ 474,500	\$ 39,856	\$ 747,521	\$ 27,977	\$	377,000	\$ 42,942	\$ 17,658,175	\$ 153,120	\$ 5,271,000	\$ 699,087

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Year Ending June 30,	Governmental Activities Obligations	
	Direct Borrowings and Direct Placements	
	School Board Obligations	
	General	
	Obligation Bonds	
	Principal	Interest
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	\$ 6,723,111	\$ 3,467,309

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Incurred by City:

Direct Borrowings and Placements:

General Obligation Bonds:

\$1,250,000 general obligation bond, Series 2012 issued (for Municipal building renovations) January 26, 2012, maturing in various annual installments of \$76,300 to \$100,100 through February 1, 2027, interest payable semi-annually at 2.75%	\$ 474,500
Total general obligations bonds	\$ 474,500

Capital Financing Activity:

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

\$1,214,500 obligation for the purchase of major equipment, payable in semi-annual installments of \$129,250 beginning July 15, 2020 through January 15, 2025, interest at 2.120%	\$ 747,521
Total capital financing activity obligations	\$ 747,521
Compensated absences	\$ 653,238
Net pension liability	\$ 13,635,338
Net OPEB liability - group life insurance	\$ 634,054
Total Pay-as-you-Go OPEB liability	\$ 2,901,660
Total Incurred by City	\$ 19,046,311

Incurred by School Board:

Direct Borrowings and Placements:

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%	\$ 687,315
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\$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	6,035,796
Total general obligation bonds	\$ 6,723,111
Total Incurred by the School Board	\$ 6,723,111
Total Governmental Activities Obligations	\$ 25,769,422

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Business-type Activities Obligations:

Direct Borrowings and Placements:

Revenue Bonds:

\$10,000,000 water and sewer revenue bonds series 2016 bonds maturing in various semi-annual installments of \$178,571 beginning May 1, 2018 through November 1, 2045, interest payable at 0.00%. \$ 8,392,857

\$7,900,000 water and sewer revenue bonds series 2017 bonds maturing in various semi-annual installments of \$138,596 beginning April 1, 2019 through April 1, 2047, interest payable at 0.00%. 6,813,341

\$2,500,000 water and sewer revenue bonds series 2020 bonds maturing in various semi-annual installments of \$54,273 beginning March 1, 2022 through March 1, 2046, cost of funds payable at 0.50% per annum. At June 30, 2021 only \$1,526,336 of this bond had been drawn. 2,451,977

Total revenue bonds \$ 17,658,175

General Obligation Bonds:

\$679,000 capital-related general obligation refunding series 2014B bonds maturing in various annual installments of \$36,000 to \$52,000 through July 15, 2029, interest payable semi-annually at 2.37% \$ 377,000

Total general obligation bonds \$ 377,000

Capital Financing Activity:

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

\$7,425,000 obligation for the purchase of a utility meters for electric and water, payable in various annual installments of \$348,000 to \$638,000 beginning February 1, 2018 through February 1, 2032, interest at 2.46% \$ 5,271,000

Total capital financing activity obligations \$ 5,271,000

Compensated absences \$ 279,619

Net pension liability \$ 2,993,419

Net OPEB liability - group life insurance \$ 130,716

Total Pay-as-you-Go OPEB liability \$ 606,340

Landfill closure and postclosure costs \$ 2,345,542

Total Business-type Activities Obligations \$ 29,661,811

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Revenue bonds totaling \$17,658,175 contain a provision that, in the event of default, the Lender may declare the entire unpaid principal and interest on the issuance as due and payable.

Discretely Presented Component Unit-School Board

The following is a summary of changes in long-term obligations of the Discretely Presented Component Unit-School Board for the fiscal year ended June 30, 2022:

	Beginning Balance July 1, 2021	Additions	Deletions	Ending Balance June 30, 2022	Amounts Due Within One Year
Net pension liability - nonprofessional	\$ 1,729,423	\$ 917,460	\$ 1,263,326	\$ 1,383,557	-
Net pension liability - professional	19,357,903	4,157,113	13,245,991	10,269,025	-
Net OPEB liability - group life insurance	979,105	242,255	541,542	679,818	-
Net OPEB liability - health insurance credit	1,810,767	369,277	404,671	1,775,373	-
Total Pay-as-you-Go OPEB liability	497,000	45,000	35,000	507,000	-
Total	<u>\$ 24,374,198</u>	<u>\$ 5,731,105</u>	<u>\$ 15,490,530</u>	<u>\$ 14,614,773</u>	<u>\$ -</u>

Note 9—Landfill Closure and Postclosure Costs:

State and federal laws and regulations require the City to place a final cover on each phase of its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. In accordance with Statement 18 of the Governmental Accounting Standards Board entitled *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the City reported a liability for a portion of these closure and postclosure care costs based on landfill capacity used. The \$2,345,542 reported as landfill closure and postclosure care liability at June 30, 2022 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 2022. Actual closure and postclosure care costs may be higher due to inflation, changes in technology, or changes in regulations.

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 10—Unearned and Deferred/Unavailable Revenue:

The following is a summary of unearned revenue for the year ended June 30, 2022:

	Government- wide Statements Governmental Activities	Balance Sheet Governmental Funds
Deferred/Unavailable revenue:		
Unearned revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures	\$ -	\$ 1,156,922
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	65,497	65,497
Opioid settlement	-	558,221
Total deferred/unavailable revenue	<u>\$ 65,497</u>	<u>\$ 1,780,640</u>

Note 11—Contingent Liabilities:

Federal programs in which the City and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

Note 12—Litigation:

At June 30, 2022, 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 13—Risk Management: (Continued)

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

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

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

Note 14—Pension Plan:

Plan Description

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

Benefit Structures

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 14—Pension Plan: (Continued)

Benefit Structures: (Continued)

- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a member date prior to July 1, 2010 and not vested as of January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

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

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 14—Pension Plan: (Continued)

Contributions

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

The City’s contractually required employer contribution rate for the year ended June 30, 2022 was 18.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$2,588,254 and \$2,438,762 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability

At June 30, 2022, the City reported a liability of \$16,628,757 for its proportionate share of the net pension liability. The City’s net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 and 2020 was used as a basis for allocation to determine the City’s proportionate share of the net pension liability. At June 30, 2021 and 2020, the City’s proportion was 93.33% and 92.86%, respectively.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the City of Martinsville, Virginia’s Retirement Plan and the Component Unit School Board’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 14—Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City of Martinsville, Virginia's Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 14—Pension Plan: (Continued)

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (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>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.39%</u>

* The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 14—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the City and Component Unit School Board (nonprofessional) were also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2021, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
City's proportionate share of the Net Pension Liability (Asset)	\$ 29,256,085	\$ 16,628,757	\$ 6,096,180

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

For the year ended June 30, 2022, the City recognized pension expense of \$2,614,932. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 14—Pension Plan: (Continued)

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

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 383,960	\$ 827,787
Change in assumptions	2,499,811	-
Net difference between projected and actual earnings on pension plan investments	-	9,864,298
Changes in proportion	217,559	109,868
Employer contributions subsequent to the measurement date	2,588,254	-
Total	<u>\$ 5,689,584</u>	<u>\$ 10,801,953</u>

\$2,588,254 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Primary Government
2023	\$ (960,498)
2024	(1,466,724)
2025	(2,261,393)
2026	(3,012,008)
2027	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (nonprofessional)

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

Employees Covered by Benefit Terms

As of the June 30, 2020 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	71
Inactive members:	
Vested inactive members	3
Non-vested inactive members	6
Inactive members active elsewhere in VRS	<u>16</u>
Total inactive members	25
Active members	<u>17</u>
Total covered employees	<u><u>113</u></u>

Contributions

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2022 was 28.36% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$132,602 and \$108,026 for the years ended June 30, 2022 and June 30, 2021, respectively.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

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, 2020	\$ 4,179,122	\$ 2,449,699	\$ 1,729,423
Changes for the year:			
Service cost	\$ 34,400	\$ -	\$ 34,400
Interest	266,430	-	266,430
Differences between expected and actual experience	(49,151)	-	(49,151)
Assumption changes	150,760	-	150,760
Contributions - employer	-	105,041	(105,041)
Contributions - employee	-	17,563	(17,563)
Net investment income	-	627,500	(627,500)
Benefit payments, including refunds	(464,015)	(464,015)	-
Administrative expenses	-	(1,855)	1,855
Other changes	-	56	(56)
Net changes	\$ (61,576)	\$ 284,290	\$ (345,866)
Balances at June 30, 2021	\$ 4,117,546	\$ 2,733,989	\$ 1,383,557

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

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

	Rate		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Component Unit School Board (nonprofessional)			
Net Pension Liability	1,789,769	1,383,557	1,037,507

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

For the year ended June 30, 2022, the Component Unit School Board (nonprofessional) recognized pension expense of \$136,493. At June 30, 2021, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	304,403
Employer contributions subsequent to the measurement date	<u>132,602</u>	<u>-</u>
Total	<u>\$ 132,602</u>	<u>\$ 304,403</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

\$132,602 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2023	\$ (70,757)
2024	(68,391)
2025	(70,511)
2026	(94,744)
2027	-
Thereafter	-

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,909,414 and \$1,871,355 for the years ended June 30, 2022 and June 30, 2021, respectively.

In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act, and is classified as a non-employer contribution.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (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, 2022, the school division reported a liability of \$10,269,025 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was .13230% as compared to .13300% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized pension expense of \$(474,145). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 874,653
Change in assumptions	1,799,106	-
Net difference between projected and actual earnings on pension plan investments	-	6,471,265
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,151,862
Employer contributions subsequent to the measurement date	<u>1,909,414</u>	<u>-</u>
Total	<u>\$ 3,708,520</u>	<u>\$ 8,497,780</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (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)

\$1,909,414 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2023	\$ (1,730,650)
2024	(1,487,116)
2025	(1,587,053)
2026	(1,895,421)
2027	1,566

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2021, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 53,381,141
Plan Fiduciary Net Position	45,617,878
Employers' Net Pension Liability (Asset)	<u>\$ 7,763,263</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.46%

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 14—Pension Plan: (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	19,818,662	10,269,025	2,413,173

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Primary Government and Component Unit School Board

Aggregate Pension Information

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plan: Primary Government	\$ <u>5,689,584</u>	\$ <u>10,801,953</u>	\$ <u>16,628,757</u>	\$ <u>2,614,932</u>
	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans: School Board Nonprofessional	\$ 132,602	\$ 304,403	\$ 1,383,557	\$ 136,493
School Board Professional	3,708,520	8,497,780	10,269,025	(474,145)
Totals	\$ <u>3,841,122</u>	\$ <u>8,802,183</u>	\$ <u>11,652,582</u>	\$ <u>(337,652)</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Contributions: (Continued)

determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$77,616 and \$73,238 for the years ended June 30, 2022 and June 30, 2021, respectively, for the City; \$2,592 and \$2,057 for the years ended June 30, 2022 and June 30, 2021, respectively, for the component unit school board (nonprofessional); and \$64,561 and \$63,039 for the years ended June 30, 2022 and June 30, 2021, respectively, for the component unit school board (professional).

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

At June 30, 2022, liabilities of \$764,770, \$21,539, and \$658,279 were reported for the City, component unit school board (nonprofessional), and component unit school board (professional), respectively, for the proportionate shares of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employers' proportions were 0.06564%, 0.00190%, and 0.05650% as compared to 0.06571%, 0.00201%, and 0.05666% at June 30, 2020, for the City, component unit school board (nonprofessional), and component unit school board (professional), respectively.

For the year ended June 30, 2022, the participating employers recognized GLI OPEB expense of \$20,710, \$(869), and \$6,014, for the City, component unit school board (nonprofessional), and component unit school board (professional), respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the employers reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)		Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 87,225	\$ 5,827	\$ 2,457	\$ 164	\$ 75,079	\$ 5,016
Net difference between projected and actual earnings on GLI OPEB program investments	-	182,534	-	5,141	-	157,117
Change in assumptions	42,162	104,637	1,187	2,947	36,291	90,067
Changes in proportion	-	21,254	-	7,526	-	67,107
Employer contributions subsequent to the measurement date	77,616	-	2,592	-	64,561	-
Total	\$ 207,003	\$ 314,252	\$ 6,236	\$ 15,778	\$ 175,931	\$ 319,307

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

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

\$77,616, \$2,592, \$64,561, for the City, component unit school board (nonprofessional), and component unit school board (professional), respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the employers' contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2023	\$ (48,296)	\$ (2,813)	\$ (53,384)
2024	(37,048)	(2,574)	(43,728)
2025	(31,835)	(2,563)	(38,718)
2026	(56,914)	(3,223)	(60,088)
2027	(10,772)	(961)	(12,019)
Thereafter	-	-	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

Total GLI OPEB Liability	\$	3,577,346
Plan Fiduciary Net Position		2,413,074
GLI Net OPEB Liability (Asset)	\$	<u>1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.45%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	2.50%
		Expected arithmetic nominal return*	<u>7.39%</u>

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Long-Term Expected Rate of Return: (Continued)

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
City's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 1,117,358	\$ 764,770	\$ 480,041
Component Unit School Board (nonprofessional) proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 31,469	\$ 21,539	\$ 13,520
Component Unit School Board (professional) proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 961,770	\$ 658,279	\$ 413,197

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Plan Description

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

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>23</u>
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>23</u>
Active members	<u>17</u>
Total covered employees	<u>40</u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The Component Unit School Board (nonprofessional)'s contractually required employer contribution rate for the year ended June 30, 2022 was 1.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Component Unit School Board (nonprofessional) to the HIC Plan were \$7,727 and \$6,133 for the years ended June 30, 2022 and June 30, 2021, respectively.

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately \$2.5 million of additional employer contributions in FY 2021.

Net HIC OPEB Liability

The Component Unit School Board (nonprofessional)'s net HIC OPEB liability was measured as of June 30, 2021. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Long-Term Expected Rate of Return: (Continued)

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 80,326	\$ -	\$ -
Changes for the year:			
Service cost	\$ 1,519	\$ -	\$ 1,519
Interest	5,422	-	5,422
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	2,075	-	2,075
Contributions - employer	-	6,132	(6,132)
Net investment income	-	892	(892)
Benefit payments	-	-	-
Administrative expenses	-	(27)	27
Other changes	-	-	-
Net changes	\$ 9,016	\$ 6,997	\$ 2,019
Balances at June 30, 2021	\$ 89,342	\$ 6,997	\$ 82,345

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Sensitivity of the Component Unit School Board (nonprofessional)'s HIC Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Component Unit School Board (nonprofessional)			
Net HIC OPEB Liability	89,273	82,345	76,298

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2022, the Component Unit School Board (nonprofessional) recognized HIC Plan OPEB expense of \$7,452. At June 30, 2022, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the Component Unit School Board (nonprofessional)'s HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on HIC OPEB plan investments	-	549
Change in assumptions	1,248	-
Employer contributions subsequent to the measurement date	7,727	-
Total	\$ 8,975	\$ 549

\$7,727 reported as deferred outflows of resources related to the HIC OPEB resulting from the Component Unit School Board (nonprofessional)'s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2023. There were no other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB that will be recognized in the HIC OPEB expense in future reporting periods.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 17—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 17—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description: (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2022 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$144,501 and \$141,147 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the school division reported a liability of \$1,693,028 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2021 and the total VRS Teacher Employee HIC Plan OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The school division's proportion of the Net VRS Teacher Employee HIC Plan OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Plan OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion of the VRS Teacher Employee HIC Plan was 0.13190% as compared to 0.13265% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$100,866. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 29,543
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	22,302
Change in assumptions	45,766	6,804
Change in proportion	-	155,761
Employer contributions subsequent to the measurement date	<u>144,501</u>	<u>-</u>
Total	<u>\$ 190,267</u>	<u>\$ 214,410</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 17—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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

\$144,501 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2023	\$	(39,089)
2024		(39,342)
2025		(35,324)
2026		(27,658)
2027		(19,110)
Thereafter		(8,121)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 17—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Mortality Rates – Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 17—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,477,874
Plan Fiduciary Net Position		194,305
Teacher Employee net HIC OPEB Liability (Asset)	\$	1,283,569
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		13.15%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.39%

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 17—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return: (Continued)

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	1,905,880	\$ 1,693,028	\$ 1,512,904

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 18—Pay-as-you-Go (OPEB Plan) – Medical Insurance:

Primary Government:

Plan Description

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

Benefits Provided

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

Plan Membership

At July 1, 2021 (measurement date), the following employees were covered by the benefit terms:

	Primary Government
Total active employees with coverage	74
Total retirees with coverage	53
Total	127

Contributions

The City holds assets accumulated for OPEB purpose in a custodial capacity. As required, the City reports these assets in a custodial fund. At June 30, 2022 the City held assets amounting to \$544,872 for OPEB purposes. The City Council establishes employer contribution rates for plan participants as part of the budgetary process each year. Council also determines how the plan will be funded each year whether it will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. For retirees hired prior to July 1, 2000 with 15 years of uninterrupted service, the City pays 100% of the designated contribution towards the monthly single only coverage premium and the retiree contributes the remaining balance. Retirees hired on or after July 1, 2000 but prior to July 1, 2005, with 14 or less years of continuous service are not eligible for the designated contribution. For retirees hired in this same time frame with 15 through 19 years of continuous service, the City contributes 50% of the designated contribution and the retiree contributes the remaining balance. For retirees hired in this time frame with 20 or more years of continuous service, the City contributes 75% of the designated contribution and the retiree contributes the remaining balance. Retirees hired on or after July 1, 2005 are not eligible for the designated contribution.

Total OPEB Liability

The City's total OPEB liability was measured as of July 1, 2021. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 18—Pay-as-you-Go (OPEB Plan) – Medical Insurance: (Continued)

Primary Government: (Continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	1.92%
Salary Scale	2.50%
Healthcare Cost Trend Rates:	6.50% for fiscal year end 2022, decreasing 0.25% per year to an ultimate rate of 5.00%.
Mortality	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021.
Actuarial Cost Method:	Entry Age Actuarial Cost Method.

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

Discount Rate

The final equivalent single discount rate used for this year's valuation is 1.92% as of the end of the fiscal year with the expectation that the City will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

	<u>Primary Government Total OPEB Liability</u>
Balances at June 30, 2021	\$ 3,632,000
Changes for the year:	
Service cost	44,000
Interest	85,000
Difference between expected and actual experience	41,000
Changes in assumptions	100,000
Benefit payments	(394,000)
Net changes	(124,000)
Balances at June 30, 2022	\$ <u>3,508,000</u>

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

The following amounts present the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.92%) or one percentage point higher (2.92%) than the current discount rate:

Rate		
<u>1% Decrease (0.92%)</u>	<u>Current Discount Rate (1.92%)</u>	<u>1% Increase (2.92%)</u>
\$ 3,702,000	\$ 3,508,000	\$ 3,324,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 18—Pay-as-you-Go (OPEB Plan) – Medical Insurance: (Continued)

Primary Government: (Continued)

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

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost		
1% Decrease (5.50%)	Trend (6.50%)	1% Increase (7.50%)
\$ 3,269,000	\$ 3,508,000	\$ 3,770,000

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

For the year ended June 30, 2022, the City recognized OPEB expense in the amount of \$372,000. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,000	\$ -
Changes in assumptions	71,000	-
Employer contributions subsequent to the measurement date	271,573	-
Total	\$ 388,573	\$ -

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

Year Ended June 30	Primary Government
2023	\$ 100,000
2024	17,000
2025	-
2026	-
2027	-
Thereafter	-

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 18—Pay-as-you-Go (OPEB Plan) – Medical Insurance: (Continued)

Component Unit School Board:

Plan Description

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

Benefits Provided

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

Plan Membership

At July 1, 2021 (measurement date), the following employees were covered by the benefit terms:

	<u>Component Unit School Board</u>
Total active employees with coverage	52
Total retirees with coverage	<u>6</u>
Total	<u><u>58</u></u>

Contributions

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 18—Pay-as-you-Go (OPEB Plan) – Medical Insurance: (Continued)

Component Unit School Board: (Continued)

Total OPEB Liability

The School Board's total OPEB liability was measured as of July 1, 2021. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	1.92%
Salary Scale	2.50%
Healthcare Cost Trend Rates:	6.50% for fiscal year end 2022, decreasing 0.25% per year to an ultimate rate of 5.00%.
Mortality	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021.
Actuarial Cost Method:	Entry Age Actuarial Cost Method.

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

Discount Rate

The final equivalent single discount rate used for this year's valuation is 1.92% as of the end of the fiscal year with the expectation that the School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

	Component Unit School Board Total OPEB Liability
Balances at June 30, 2021	\$ 497,000
Changes for the year:	
Service cost	16,000
Interest	12,000
Difference between expected and actual experience	3,000
Changes in assumptions	14,000
Benefit payments	(35,000)
Net changes	10,000
Balances at June 30, 2022	\$ 507,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 18—Pay-as-you-Go (OPEB Plan) – Medical Insurance: (Continued)

Component Unit School Board: (Continued)

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.92%) or one percentage point higher (2.92%) than the current discount rate:

Rate		
1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
\$ 530,000	\$ 507,000	\$ 483,000

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower 5.50% or one percentage point higher 7.50% than the current healthcare cost trend rates:

Rates		
1% Decrease (5.50%)	Healthcare Cost Trend (6.50%)	1% Increase (7.50%)
\$ 468,000	\$ 507,000	\$ 550,000

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

For the year ended June 30, 2022, the School Board recognized OPEB expense in the amount of \$0. At June 30, 2022, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows.

	Component Unit School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,000	\$ 77,000
Changes in assumptions	23,000	-
Employer contributions subsequent to the measurement date	16,380	-
Total	\$ 47,380	\$ 77,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 18—Pay-as-you-Go (OPEB Plan) – Medical Insurance: (Continued)

Component Unit School Board: (Continued)

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

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

Year Ended June 30	Component Unit School Board
2023	\$ (40,000)
2024	(8,000)
2025	2,000
2026	-
2027	-
Thereafter	-

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

Aggregate OPEB Information

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net/Total OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Plan (Note 15):				
City	\$ 207,003	\$ 314,252	\$ 764,770	\$ 20,710
City Stand-Alone Plan (Note 18)	388,573	-	3,508,000	372,000
Totals	<u>\$ 595,576</u>	<u>\$ 314,252</u>	<u>\$ 4,272,770</u>	<u>\$ 392,710</u>
	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Plan (Note 15):				
School Board Nonprofessional	\$ 6,236	\$ 15,778	\$ 21,539	\$ (869)
School Board Professional	175,931	319,307	658,279	6,014
Nonprofessional Health Insurance Credit Plan (Note 16)	8,975	549	82,345	7,452
Teacher Health Insurance Credit Plan (Note 17)	190,267	214,410	1,693,028	100,866
School Stand-Alone Plan (Note 18)	47,380	77,000	507,000	-
Totals	<u>\$ 428,789</u>	<u>\$ 627,044</u>	<u>\$ 2,962,191</u>	<u>\$ 113,463</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 19—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 20—Subsequent Events:

Reversion

On December 10, 2019, the City Council voted in favor of Martinsville's reversion from an independent city to a town located within and constituting part of Henry County. Martinsville subsequently filed with the Commission on Local Government on September 18, 2020 a notice of its intent to petition for an order granting it town status, seeking to establish a traditional town-county relationship with Henry County.

On August 24, 2021, the Martinsville City Council and Henry County Board of Supervisors independently adopted resolutions, by which the governing bodies approved the Voluntary Settlement Agreement between the City of Martinsville and the County of Henry. The Agreement provides for Martinsville's reversion from city to town status and addresses the allocation of governmental services following that change in governmental structure, the transfer of certain properties, the sharing of certain revenues, a temporary moratorium of annexation rights, and other matters. A notice of the City of Martinsville and Henry County of their intention to petition for the approval of a voluntary settlement of town status and other issues was submitted to the Commission on Local Government shortly thereafter.

The Commission on Local Government reviewed the proposed voluntary settlement agreement between the City of Martinsville and Henry County and issued a report with findings and recommendations dated October 2021. In its report, the Commission found that the voluntary settlement agreement "promotes the viability of both local governments and is consistent with the best interests of the Commonwealth." The Commission also made several recommendations for implementation of the agreement, including a recommended effective date of reversion of July 1, 2023. However, as of the date of this report, a final effective date of reversion has not been determined.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

Note 20—Subsequent Events: (Continued)

COVID-19 Pandemic and Funding

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the City, COVID-19 impacted various parts of its 2022 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the City is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2023.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$7,118,601 from the initial allocation are reported as unearned revenue as of June 30, 2022.

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.

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
For the Year Ended June 30, 2022

	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 9,126,900	\$ 9,126,900	\$ 9,941,727	\$ 814,827
Other local taxes	5,446,600	5,446,600	6,678,750	1,232,150
Permits, privilege fees and regulatory licenses	86,250	87,055	93,850	6,795
Fines and forfeitures	111,000	111,000	86,287	(24,713)
Revenue from use of money and property	1,120,422	1,120,422	1,184,522	64,100
Charges for services	2,489,389	2,489,389	2,389,019	(100,370)
Miscellaneous	546,377	548,063	533,807	(14,256)
Recovered costs	2,003,089	2,003,089	1,980,275	(22,814)
Intergovernmental:				
Commonwealth	9,864,245	10,023,401	10,355,671	332,270
Federal	135,219	147,977	2,382,313	2,234,336
Total revenues	\$ 30,929,491	\$ 31,103,896	\$ 35,626,221	\$ 4,522,325
Expenditures:				
Current:				
General government administration	\$ 4,858,998	\$ 4,858,998	\$ 7,095,072	\$ (2,236,074)
Judicial administration	2,893,198	3,008,916	2,810,364	198,552
Public safety	11,855,727	12,630,030	12,735,369	(105,339)
Public works	4,882,502	4,909,399	4,729,547	179,852
Health and welfare	1,149,453	1,149,453	1,659,407	(509,954)
Education	6,064,850	6,064,850	4,959,911	1,104,939
Parks, recreation, and cultural	895,284	895,284	917,147	(21,863)
Community development	3,371,167	3,445,719	3,446,784	(1,065)
Total expenditures	\$ 35,971,179	\$ 36,962,649	\$ 38,353,601	\$ (1,390,952)
Excess (deficiency) of revenues over (under) expenditures	\$ (5,041,688)	\$ (5,858,753)	\$ (2,727,380)	\$ 3,131,373
Other financing sources (uses):				
Transfers in	\$ 2,141,688	\$ 2,141,688	\$ 2,141,688	\$ -
Transfers (out)	-	(412,860)	(412,860)	-
Total other financing sources (uses)	\$ 2,141,688	\$ 1,728,828	\$ 1,728,828	\$ -
Changes in fund balances	\$ (2,900,000)	\$ (4,129,925)	\$ (998,552)	\$ 3,131,373
Fund balances at beginning of year	2,900,000	4,129,925	9,793,076	5,663,151
Fund balances at end of year	\$ -	\$ -	\$ 8,794,524	\$ 8,794,524

Schedule of Employer's Proportionate Share of the Net Pension Liability
VRS Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2021

Date (1)	Employer's Proportion of the Net Pension Liability (NPL) (2)	Employer's Proportionate Share of the NPL (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - City Retirement Plan					
2021	93.33%	\$ 16,628,757	\$ 13,189,627	126.07%	84.51%
2020	92.86%	28,687,616	13,201,219	217.31%	72.02%
2019	93.00%	23,520,960	12,536,671	187.62%	76.36%
2018	92.39%	18,646,917	12,201,190	152.83%	79.88%
2017	91.95%	18,955,341	12,117,472	156.43%	79.02%
2016	93.61%	22,696,623	13,409,915	169.25%	74.76%
2015	93.37%	19,919,054	13,216,981	150.71%	77.41%
2014	93.42%	18,187,446	12,797,381	142.12%	78.66%
Component Unit School Board (professional)					
2021	0.1323%	\$ 10,269,025	\$ 11,665,019	88.03%	85.46%
2020	0.1330%	19,357,903	11,629,331	166.46%	71.47%
2019	0.1436%	18,899,892	12,065,156	156.65%	73.51%
2018	0.1444%	16,979,000	11,697,771	145.15%	74.81%
2017	0.1473%	18,117,000	11,642,954	155.60%	72.92%
2016	0.1522%	21,328,000	11,653,559	183.02%	68.28%
2015	0.1667%	20,984,000	11,644,367	180.21%	70.68%
2014	0.1646%	19,896,000	12,040,187	165.25%	70.88%

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

CITY OF MARTINSVILLE, VIRGINIA

Schedule of Changes in Net Pension Liability and Related Ratios Component Unit School Board (nonprofessional) For the Measurement Dates of June 30, 2014 through June 30, 2021

	2021	2020	2019
Total pension liability			
Service cost	\$ 34,400	\$ 40,331	\$ 47,066
Interest	266,430	271,048	275,813
Changes of assumptions	150,760	-	91,229
Differences between expected and actual experience	(49,151)	29,332	3,332
Benefit payments, including refunds of employee contributions	(464,015)	(354,242)	(329,941)
Net change in total pension liability	\$ (61,576)	\$ (13,531)	\$ 87,499
Total pension liability - beginning	4,179,122	4,192,653	4,105,154
Total pension liability - ending (a)	\$ 4,117,546	\$ 4,179,122	\$ 4,192,653
Plan fiduciary net position			
Contributions - employer	\$ 105,041	\$ 94,136	\$ 111,669
Contributions - employee	17,563	18,988	22,489
Net investment income	627,500	49,077	169,498
Benefit payments, including refunds of employee contributions	(464,015)	(354,242)	(329,941)
Administrative expense	(1,855)	(1,856)	(1,856)
Other	56	(55)	(106)
Net change in plan fiduciary net position	\$ 284,290	\$ (193,952)	\$ (28,247)
Plan fiduciary net position - beginning	2,449,699	2,643,651	2,671,898
Plan fiduciary net position - ending (b)	\$ 2,733,989	\$ 2,449,699	\$ 2,643,651
School Division's net pension liability - ending (a) - (b)	\$ 1,383,557	\$ 1,729,423	\$ 1,549,002
Plan fiduciary net position as a percentage of the total pension liability	66.40%	58.62%	63.05%
Covered payroll	\$ 380,908	\$ 413,317	\$ 488,976
School Division's net pension liability as a percentage of covered payroll	363.23%	418.43%	316.78%

Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Exhibit 13

2018	2017	2016	2015	2014
\$ 45,512	\$ 41,329	\$ 45,589	\$ 54,322	\$ 56,141
271,267	279,172	282,746	283,560	284,255
-	11,088	-	-	-
86,439	(100,879)	(43,743)	(5,140)	-
(346,627)	(340,625)	(330,699)	(358,029)	(342,606)
\$ 56,591	\$ (109,915)	\$ (46,107)	\$ (25,287)	\$ (2,210)
4,048,563	4,158,478	4,204,585	4,229,872	4,232,082
<u>\$ 4,105,154</u>	<u>\$ 4,048,563</u>	<u>\$ 4,158,478</u>	<u>\$ 4,204,585</u>	<u>\$ 4,229,872</u>
\$ 128,396	\$ 127,356	\$ 113,958	\$ 110,982	\$ 119,537
21,938	21,782	20,903	21,192	25,188
192,350	301,389	42,268	123,775	399,239
(346,627)	(340,625)	(330,699)	(358,029)	(342,606)
(1,789)	(1,891)	(1,784)	(1,895)	(2,295)
(166)	(262)	(19)	(23)	21
\$ (5,898)	\$ 107,749	\$ (155,373)	\$ (103,998)	\$ 199,084
2,677,796	2,570,047	2,725,420	2,829,418	2,630,334
<u>\$ 2,671,898</u>	<u>\$ 2,677,796</u>	<u>\$ 2,570,047</u>	<u>\$ 2,725,420</u>	<u>\$ 2,829,418</u>
\$ 1,433,256	\$ 1,370,767	\$ 1,588,431	\$ 1,479,165	\$ 1,400,454
65.09%	66.14%	61.80%	64.82%	66.89%
\$ 476,016	\$ 470,771	\$ 442,484	\$ 426,964	\$ 503,742
301.09%	291.17%	358.98%	346.44%	278.01%

Schedule of Employer Contributions

VRS Pension Plans

For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2022	\$ 2,588,254	\$ 2,588,254	\$ -	\$ 14,339,008	18.05%
2021	2,438,761	2,438,761	-	13,189,627	18.49%
2020	2,133,317	2,133,317	-	13,201,219	16.16%
2019	2,025,957	2,025,957	-	12,536,671	16.16%
2018	1,969,272	1,969,272	-	12,201,190	16.14%
2017	1,955,760	1,955,760	-	12,117,472	16.14%
2016	2,368,834	2,368,834	-	13,409,915	18.87%
2015	2,290,963	2,290,963	-	13,216,981	18.87%
2014	2,363,676	2,363,676	-	12,797,381	18.47%
2013	2,303,060	2,303,060	-	12,649,195	18.47%
Component Unit School Board (nonprofessional)					
2022	\$ 132,602	\$ 132,602	\$ -	\$ 479,965	27.63%
2021	108,026	108,026	-	380,908	28.36%
2020	94,367	94,367	-	413,317	22.83%
2019	111,670	111,670	-	488,976	22.84%
2018	128,395	128,395	-	476,016	26.97%
2017	130,309	130,309	-	470,771	27.68%
2016	115,179	115,179	-	442,484	26.03%
2015	111,139	111,139	-	426,964	26.03%
2014	119,538	119,538	-	503,742	23.73%
2013	113,698	113,698	-	479,136	23.73%
Component Unit School Board (professional)					
2022	\$ 1,909,414	\$ 1,909,414	\$ -	\$ 11,942,248	15.99%
2021	1,871,335	1,871,335	-	11,665,019	16.04%
2020	1,767,607	1,767,607	-	11,629,331	15.20%
2019	1,839,146	1,839,146	-	12,065,156	15.24%
2018	1,867,973	1,867,973	-	11,697,771	15.97%
2017	1,706,857	1,706,857	-	11,642,954	14.66%
2016	1,632,707	1,632,707	-	11,653,559	14.01%
2015	1,682,744	1,682,744	-	11,644,367	14.45%
2014	1,403,886	1,403,886	-	12,040,187	11.66%
2013	1,311,060	1,311,060	-	11,244,082	11.66%

Notes to Required Supplementary Information
VRS Pension Plans
For the Year Ended June 30, 2022

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020, valuations were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Schedule of the City of Martinsville, Virginia's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

<u>Date</u>	<u>Employer's Proportion of the Net GLI OPEB Liability</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability</u>
Primary Government:					
2021	0.06564% \$	764,770 \$	13,562,526	5.64%	67.45%
2020	0.06571%	1,095,346	13,507,364	8.11%	52.64%
2019	0.06584%	1,063,675	12,813,125	8.30%	52.00%
2018	0.06556%	996,180	12,417,162	8.02%	51.22%
2017	0.06690%	1,006,978	12,340,571	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2021	0.00190% \$	21,539 \$	380,908	5.65%	67.45%
2020	0.00201%	33,543	413,317	8.12%	52.64%
2019	0.00250%	40,682	488,976	8.32%	52.00%
2018	0.00256%	39,000	487,266	8.00%	51.22%
2017	0.00255%	38,000	470,771	8.07%	48.86%
Component Unit School Board (professional):					
2021	0.05650% \$	658,279 \$	11,673,818	5.64%	67.45%
2020	0.05666%	945,562	11,661,219	8.11%	52.64%
2019	0.06131%	997,677	12,019,507	8.30%	52.00%
2018	0.06141%	933,000	11,676,842	7.99%	51.22%
2017	0.06306%	948,000	11,631,723	8.15%	48.86%

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

Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2022	\$ 77,616	\$ 77,616	\$ -	\$ 14,373,330	0.54%
2021	73,238	73,238	-	13,562,526	0.54%
2020	70,239	70,239	-	13,507,364	0.52%
2019	67,127	67,127	-	12,813,125	0.52%
2018	64,569	64,569	-	12,417,162	0.52%
2017	64,171	64,171	-	12,340,571	0.52%
2016	59,337	59,337	-	12,361,953	0.48%
2015	58,581	58,581	-	12,204,419	0.48%
2014	56,829	56,829	-	11,839,409	0.48%
2013	55,161	55,161	-	11,491,834	0.48%
Component Unit School Board (nonprofessional)					
2022	\$ 2,592	\$ 2,592	\$ -	\$ 479,965	0.54%
2021	2,057	2,057	-	380,908	0.54%
2020	2,149	2,149	-	413,317	0.52%
2019	2,543	2,543	-	488,976	0.52%
2018	2,553	2,553	-	487,266	0.52%
2017	2,448	2,448	-	470,771	0.52%
2016	2,140	2,140	-	445,817	0.48%
2015	2,125	2,125	-	442,703	0.48%
2014	2,451	2,451	-	510,590	0.48%
2013	2,300	2,300	-	479,136	0.48%
Component Unit School Board (professional)					
2022	\$ 64,561	\$ 64,561	\$ -	\$ 11,955,720	0.54%
2021	63,039	63,039	-	11,673,818	0.54%
2020	60,638	60,638	-	11,661,219	0.52%
2019	62,501	62,501	-	12,019,507	0.52%
2018	61,187	61,187	-	11,676,842	0.52%
2017	60,485	60,485	-	11,631,723	0.52%
2016	55,718	55,718	-	11,607,840	0.48%
2015	59,769	59,769	-	12,451,790	0.48%
2014	58,179	58,179	-	12,120,551	0.48%
2013	54,023	54,023	-	11,254,751	0.48%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2022

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule of Changes in the City of Martinsville, Virginia School Board's
 Net OPEB Liability and Related Ratios
 Nonprofessional Employee Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2020 through June 30, 2021

	2021	2020
Total HIC OPEB Liability		
Service cost	\$ 1,519	\$ -
Interest	5,422	-
Changes in benefit terms	-	80,326
Differences between expected and actual experience	-	-
Changes of assumptions	2,075	-
Benefit payments	-	-
Net change in total HIC OPEB liability	\$ 9,016	\$ 80,326
Total HIC OPEB Liability - beginning	80,326	-
Total HIC OPEB Liability - ending (a)	\$ 89,342	\$ 80,326
Plan fiduciary net position		
Contributions - employer	\$ 6,132	\$ -
Net investment income	892	-
Benefit payments	-	-
Administrator charges	(27)	-
Other	-	-
Net change in plan fiduciary net position	\$ 6,997	\$ -
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	\$ 6,997	\$ -
School's net HIC OPEB liability - ending (a) - (b)	\$ 82,345	\$ 80,326
Plan fiduciary net position as a percentage of the total HIC OPEB liability	7.83%	0.00%
Covered payroll	\$ 380,908	\$ N/A
School's net HIC OPEB liability as a percentage of covered payroll	21.62%	N/A

Schedule is intended to show information for 10 years. Information prior to the 2020 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Nonprofessional Employee Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2021 through June 30, 2022

Date	Contributions in					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2022	\$ 7,727	\$ 7,727	\$ -	\$ 479,965		1.61%
2021	6,133	6,133	-	380,908		1.61%

Schedule is intended to show information for 10 years. Information prior to the 2021 is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
 Nonprofessional Employee Health Insurance Credit (HIC) Plan
 For the Year Ended June 30, 2022

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule of the City of Martinsville, Virginia School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

Date	Employer's Proportion of the Net HIC OPEB Liability	Employer's Proportionate Share of the Net HIC OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
2021	0.13190%	\$ 1,693,028	\$ 11,665,019	14.5137%	13.15%
2020	0.13265%	1,730,441	11,629,331	14.8800%	9.95%
2019	0.14320%	1,874,627	12,011,142	15.6074%	8.97%
2018	0.14438%	1,833,000	11,676,842	15.6977%	8.08%
2017	0.14714%	1,867,000	11,612,639	16.0773%	7.04%

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

Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2022	\$ 144,501	\$ 144,501	\$ -	\$ 11,942,248	1.21%
2021	141,147	141,147	-	11,665,019	1.21%
2020	139,552	139,552	-	11,629,331	1.20%
2019	144,134	144,134	-	12,011,142	1.20%
2018	143,625	143,625	-	11,676,842	1.23%
2017	128,900	128,900	-	11,612,639	1.11%
2016	123,000	123,000	-	11,603,738	1.06%
2015	131,395	131,395	-	12,395,708	1.06%
2014	133,646	133,646	-	12,040,187	1.11%
2013	124,748	124,748	-	11,238,585	1.11%

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Year Ended June 30, 2021

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Schedule of Changes in Total OPEB Liability and Related Ratios
City and School OPEB Plan
For the Years Ended June 30, 2018 through June 30, 2022

	2022	2021	2020	2019	2018
Primary Government:					
Total OPEB liability					
Service cost	\$ 44,000	\$ 51,000	\$ 46,000	\$ 69,000	\$ 67,000
Interest	85,000	105,000	125,000	114,000	118,000
Differences between expected and actual experience	41,000	207,000	(14,000)	264,000	-
Changes of assumptions	-	-	97,000	230,000	-
Benefit payments, including refunds of employee contributions	(394,000)	(331,000)	(397,000)	(375,000)	(241,000)
Other changes	100,000	135,000	-	-	-
Net change in total OPEB liability	\$ (124,000)	\$ 167,000	\$ (143,000)	\$ 302,000	\$ (56,000)
Total OPEB liability - beginning	3,632,000	3,465,000	3,608,000	3,306,000	3,362,000
Total OPEB liability - ending	\$ 3,508,000	\$ 3,632,000	\$ 3,465,000	\$ 3,608,000	\$ 3,306,000
Covered-employee payroll	\$ 4,166,000	\$ 4,166,000	\$ 5,601,000	\$ 5,601,000	\$ 7,427,000
City's total OPEB liability (asset) as a percentage of covered-employee payroll	84.21%	87.18%	61.86%	64.42%	44.51%
Component Unit School Board:					
Total OPEB liability					
Service cost	\$ 16,000	\$ 19,000	\$ 19,000	\$ 23,000	\$ 22,000
Interest	12,000	21,000	24,000	25,000	26,000
Differences between expected and actual experience	3,000	(197,000)	19,000	38,000	-
Changes of assumptions	14,000	17,000	18,000	(11,000)	-
Benefit payments, including refunds of employee contributions	(35,000)	(56,000)	(88,000)	(108,000)	(48,000)
Net change in total OPEB liability	\$ 10,000	\$ (196,000)	\$ (8,000)	\$ (33,000)	\$ -
Total OPEB liability - beginning	497,000	693,000	701,000	734,000	734,000
Total OPEB liability - ending	\$ 507,000	\$ 497,000	\$ 693,000	\$ 701,000	\$ 734,000
Covered-employee payroll	\$ 2,564,000	\$ 2,564,000	\$ 4,072,000	\$ 4,072,000	\$ 4,764,000
School's total OPEB liability (asset) as a percentage of covered-employee payroll	19.77%	19.38%	17.02%	17.22%	15.41%

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

Notes to Required Supplementary Information - City and School's OPEB
For the Year Ended June 30, 2022

Valuation Date: 7/1/2020
Measurement Date: 7/1/2021

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Discount Rate	1.92%
Salary Scale	2.50%
Healthcare Trend Rate	6.50% for fiscal year end 2022, decreasing 0.25% per year to an ultimate rate of 5.00%.
Mortality Rates	RP 2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021

Other Supplementary Information

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Combining and Individual Fund Financial Statements and Schedules

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Meals Tax Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Other local taxes	\$ 2,100,000	\$ 2,100,000	\$ 2,340,491	\$ 240,491
Intergovernmental:				
Federal	<u>372,720</u>	<u>372,720</u>	<u>372,720</u>	<u>-</u>
Total revenues	<u>\$ 2,472,720</u>	<u>\$ 2,472,720</u>	<u>\$ 2,713,211</u>	<u>\$ 240,491</u>
Expenditures:				
Current:				
General government administration	\$ 62,904	\$ 62,904	\$ 62,904	\$ -
Debt service:				
Principal retirement	1,092,959	1,092,959	1,092,959	-
Interest and other fiscal charges	<u>432,163</u>	<u>432,163</u>	<u>432,163</u>	<u>-</u>
Total expenditures	<u>\$ 1,588,026</u>	<u>\$ 1,588,026</u>	<u>\$ 1,588,026</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 884,694</u>	<u>\$ 884,694</u>	<u>\$ 1,125,185</u>	<u>\$ 240,491</u>
Other financing sources (uses):				
Transfers (out)	<u>\$ (884,694)</u>	<u>\$ (884,694)</u>	<u>\$ (884,694)</u>	<u>\$ -</u>
Changes in fund balances	\$ -	\$ -	\$ 240,491	\$ 240,491
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>1,012,976</u>	<u>1,012,976</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,253,467</u></u>	<u><u>\$ 1,253,467</u></u>

Nonmajor Governmental Funds
Combining Balance Sheet
At June 30, 2022

	Special Revenue Funds	Capital Projects Fund	
	City Grants Fund	Capital Reserve Fund	Total
ASSETS			
Cash and cash equivalents	\$ 130,343	\$ 718,386	\$ 848,729
Total assets	\$ 130,343	\$ 718,386	\$ 848,729
LIABILITIES			
Accounts payable and other current liabilities	\$ 29,388	\$ 26,955	\$ 56,343
Total liabilities	\$ 29,388	\$ 26,955	\$ 56,343
FUND BALANCES			
Assigned:			
Capital reserve fund	\$ -	\$ 691,431	\$ 691,431
Special revenue	100,955	-	100,955
Total fund balances	\$ 100,955	\$ 691,431	\$ 792,386
Total liabilities and fund balances	\$ 130,343	\$ 718,386	\$ 848,729

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	Special Revenue Fund	Capital Projects Fund	
	City Grants Fund	Capital Reserve Fund	Total
Revenues:			
Revenue from use of money and property	\$ 10,956	\$ 11,943	\$ 22,899
Intergovernmental:			
Federal	21,100	-	21,100
Total revenues	\$ 32,056	\$ 11,943	\$ 43,999
Expenditures:			
General government administration	\$ -	\$ 80,214	\$ 80,214
Public safety	-	381,561	381,561
Public works	-	88,314	88,314
Planning and community development	39,775	-	39,775
Debt service:			
Principal retirement	-	326,248	326,248
Interest and fiscal charges	-	35,104	35,104
Total expenditures	\$ 39,775	\$ 1,011,364	\$ 1,051,139
Excess (deficiency) of revenues over (under) expenditures	\$ (7,719)	\$ (999,421)	\$ (1,007,140)
Other financing sources:			
Transfers in	\$ -	\$ 1,297,554	\$ 1,297,554
Total other financing sources	\$ -	\$ 1,297,554	\$ 1,297,554
Changes in fund balances	\$ (7,719)	\$ 298,133	\$ 290,414
Fund balances at beginning of year	108,674	393,298	501,972
Fund balances at end of year	\$ 100,955	\$ 691,431	\$ 792,386

CITY OF MARTINSVILLE, VIRGINIA

Nonmajor Governmental Funds

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

For the Year Ended June 30, 2022

	Special Revenue Funds			
	City Grants Fund			Variance
	Original	Budget	Actual	From
	Budget	As		Final
		Amended		Budget
				Positive
				(Negative)
Revenues:				
Revenue from use of money and property	\$ 22,132	\$ 22,132	\$ 10,956	\$ (11,176)
Intergovernmental:				
Federal	-	-	21,100	21,100
Total revenues	\$ 22,132	\$ 22,132	\$ 32,056	\$ 9,924
Expenditures:				
General government administration	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	-	-
Parks, recreation, and cultural	-	-	-	-
Community development	1,608	1,202,919	39,775	1,163,144
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	\$ 1,608	\$ 1,202,919	\$ 39,775	\$ 1,163,144
Excess (deficiency) of revenues over (under) expenditures	\$ 20,524	\$ (1,180,787)	\$ (7,719)	\$ 1,173,068
Other financing sources (uses):				
Transfers in	-	-	-	-
Changes in fund balances	\$ 20,524	\$ (1,180,787)	\$ (7,719)	\$ 1,173,068
Fund balances at beginning of year	(20,524)	1,180,787	108,674	(1,072,113)
Fund balances at end of year	\$ -	\$ -	\$ 100,955	\$ 100,955

Exhibit 30

Capital Projects Fund			
Capital Reserve Fund			
Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ 10,600	\$ 11,943	\$ 1,343
-	-	-	-
\$ -	\$ 10,600	\$ 11,943	\$ 1,343
\$ 105,667	\$ 459,340	\$ 80,214	\$ 379,126
261,810	447,401	381,561	65,840
75,050	153,800	88,314	65,486
85,200	85,200	99,923	-14,723
-	-	-	-
326,248	326,248	326,248	-
35,104	35,104	35,104	-
\$ 889,079	\$ 1,507,093	\$ 1,011,364	\$ 495,729
\$ (889,079)	\$ (1,496,493)	\$ (999,421)	\$ 497,072
884,694	1,297,554	1,297,554	-
\$ (4,385)	\$ (198,939)	\$ 298,133	\$ 497,072
4,385	198,939	393,298	194,359
\$ -	\$ -	\$ 691,431	\$ 691,431

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Combining Statement of Fiduciary Net Position -
Custodial Funds
At June 30, 2022

	Insurance Trust Fund	Inmate Trust Fund	Police Academy Fund	Southern Virginia Recreation Facility Authority Fund	Blue Ridge Regional Library Fund	Dan River ASAP Fund	Total
ASSETS							
Cash and cash equivalents	\$ 544,872	\$ 19,727	\$ 429,218	\$ 113,487	\$ 311,735	\$ 76,851	\$ 1,495,890
Due from other governments	-	-	6,866	-	-	-	6,866
Total assets	<u>\$ 544,872</u>	<u>\$ 19,727</u>	<u>\$ 436,084</u>	<u>\$ 113,487</u>	<u>\$ 311,735</u>	<u>\$ 76,851</u>	<u>\$ 1,502,756</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 10,710	\$ 5,432	\$ 67,258	\$ 2,836	\$ 86,236
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,710</u>	<u>\$ 5,432</u>	<u>\$ 67,258</u>	<u>\$ 2,836</u>	<u>\$ 86,236</u>
NET POSITION							
Restricted for:							
Retiree benefits	\$ 544,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 544,872
Inmates	-	19,727	-	-	-	-	19,727
Piedmont Regional Criminal Justice Training Academy	-	-	425,374	-	-	-	425,374
Southern Virginia Recreation Facility Authority	-	-	-	108,055	-	-	108,055
Blue Ridge Regional Library	-	-	-	-	244,477	-	244,477
Dan River ASAP	-	-	-	-	-	74,015	74,015
Total net position	<u>544,872</u>	<u>19,727</u>	<u>425,374</u>	<u>108,055</u>	<u>244,477</u>	<u>74,015</u>	<u>1,416,520</u>
Total liabilities and net position	<u>544,872</u>	<u>19,727</u>	<u>436,084</u>	<u>113,487</u>	<u>311,735</u>	<u>76,851</u>	<u>1,502,756</u>

CITY OF MARTINSVILLE VIRGINIA

Custodial Funds

Combining Statement of Changes in Fiduciary Net Position - Custodial Funds For the Year Ended June 30, 2022

	Insurance Trust Fund	Inmate Trust Fund
ADDITIONS		
Retiree and City contributions	\$ 4,733,945	\$ -
Interest income	417	-
Collections for inmates	-	286,924
Collections for Piedmont Regional Criminal Justice Training Academy	-	-
Collections for Southern Virginia Recreation Facility Authority	-	-
Collections for Blue Ridge Regional Library	-	-
Collections for Dan River ASAP	-	-
	<u>-</u>	<u>-</u>
Total additions	\$ <u>4,734,362</u>	\$ <u>286,924</u>
DEDUCTIONS		
Retiree benefits	\$ 4,695,103	\$ -
Disbursements for inmates	-	295,599
Disbursements for Piedmont Regional Criminal Justice Training Academy	-	-
Disbursements for Southern Virginia Recreation Facility Authority	-	-
Disbursements for Blue Ridge Regional Library	-	-
Disbursements for Dan River ASAP	-	-
	<u>-</u>	<u>-</u>
Total deductions	\$ <u>4,695,103</u>	\$ <u>295,599</u>
Net increase (decrease) in fiduciary net position	\$ <u>39,259</u>	\$ <u>(8,675)</u>
Net position, beginning of year	\$ <u>505,613</u>	\$ <u>28,402</u>
Net position, end of year	\$ <u><u>544,872</u></u>	\$ <u><u>19,727</u></u>

Exhibit 32

Police Academy Fund	Southern Virginia Recreation Facility Authority Fund	Blue Ridge Regional Library Fund	Dan River ASAP Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 4,733,945
-	-	6,353	191	6,961
-	-	-	-	286,924
444,836	-	-	-	444,836
-	496,612	-	-	496,612
-	-	1,978,940	-	1,978,940
-	-	-	192,416	192,416
<u>\$ 444,836</u>	<u>\$ 496,612</u>	<u>\$ 1,985,293</u>	<u>\$ 192,607</u>	<u>\$ 8,140,634</u>
\$ -	\$ -	\$ -	-	\$ 4,695,103
-	-	-	-	295,599
429,272	-	-	-	429,272
-	526,660	-	-	526,660
-	-	1,998,625	-	1,998,625
-	-	-	196,987	196,987
<u>\$ 429,272</u>	<u>\$ 526,660</u>	<u>\$ 1,998,625</u>	<u>\$ 196,987</u>	<u>\$ 8,142,246</u>
<u>\$ 15,564</u>	<u>\$ (30,048)</u>	<u>\$ (13,332)</u>	<u>\$ (4,380)</u>	<u>(1,612)</u>
<u>\$ 409,810</u>	<u>\$ 138,103</u>	<u>\$ 257,809</u>	<u>\$ 78,395</u>	<u>\$ 1,418,132</u>
<u>\$ 425,374</u>	<u>\$ 108,055</u>	<u>\$ 244,477</u>	<u>\$ 74,015</u>	<u>\$ 1,416,520</u>

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Discretely Presented Component Unit—School Board

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Combining Balance Sheet
Discretely Presented Component Unit -- School Board
At June 30, 2022

	School Operating Fund	School Cafeteria Fund	School Grants Fund	School Activity Fund	Totals
ASSETS					
Cash and cash equivalents	\$ -	\$ 2,219,391	\$ -	\$ 157,729	\$ 2,377,120
Due from other governments	1,491,573	-	1,155,815	-	2,647,388
Total assets	<u>\$ 1,491,573</u>	<u>\$ 2,219,391</u>	<u>\$ 1,155,815</u>	<u>\$ 157,729</u>	<u>\$ 5,024,508</u>
LIABILITIES					
Reconciled overdraft	\$ 12,025	\$ -	\$ 1,230,789	\$ -	\$ 1,242,814
Accounts payable	497,077	24,418	7,338	-	528,833
Accrued liabilities	982,471	38,171	69,591	-	1,090,233
Total liabilities	<u>\$ 1,491,573</u>	<u>\$ 62,589</u>	<u>\$ 1,307,718</u>	<u>\$ -</u>	<u>\$ 2,861,880</u>
FUND BALANCES					
Committed:					
School food program	\$ -	\$ 2,156,802	\$ -	\$ -	\$ 2,156,802
Education	-	-	-	157,729	157,729
Unassigned	-	-	(151,903)	-	(151,903)
Total fund balances	<u>\$ -</u>	<u>\$ 2,156,802</u>	<u>\$ (151,903)</u>	<u>\$ 157,729</u>	<u>\$ 2,162,628</u>
Total liabilities and fund balances	<u>\$ 1,491,573</u>	<u>\$ 2,219,391</u>	<u>\$ 1,155,815</u>	<u>\$ 157,729</u>	<u>\$ 5,024,508</u>

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

Total Fund balances, above \$ 2,162,628

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. 13,172,133

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

Deferred outflows related to:

Pension items	\$ 3,841,122	
OPEB items	428,789	4,269,911

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	(11,652,582)
Net OPEB liability - group life insurance	(679,818)
Net OPEB liability - health insurance credit	(1,775,373)
Total Pay-as-you-Go OPEB liability	(507,000)

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

Deferred inflows related to:

Pension items	\$ (8,802,183)	
OPEB items	(627,044)	(9,429,227)

Net position of General Government Activities \$ (4,439,328)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2022

	School Operating Fund	School Cafeteria Fund	School Grants Fund	School Activity Fund	Total
Revenues:					
Revenue from use of money and property	\$ 4,248	\$ 38,485	\$ -	\$ -	\$ 42,733
Charges for services	-	145,639	-	-	145,639
Miscellaneous	214,539	-	-	193,012	407,551
Recovered costs	335,866	-	-	-	335,866
Intergovernmental:					
Local government	4,940,076	-	-	-	4,940,076
Commonwealth	16,759,403	58,387	-	-	16,817,790
Federal	2,567,829	1,718,152	1,766,683	-	6,052,664
Total revenues	\$ 24,821,961	\$ 1,960,663	\$ 1,766,683	\$ 193,012	\$ 28,742,319
Expenditures:					
Current:					
Education	\$ 24,833,447	\$ 1,699,214	\$ 1,990,720	\$ 204,429	\$ 28,727,810
Total expenditures	\$ 24,833,447	\$ 1,699,214	\$ 1,990,720	\$ 204,429	\$ 28,727,810
Other financing sources (uses):					
Insurance recoveries	\$ 11,486	\$ -	\$ -	\$ -	\$ 11,486
Total other financing sources (uses)	\$ 11,486	\$ -	\$ -	\$ -	\$ 11,486
Changes in fund balances	\$ -	\$ 261,449	\$ (224,037)	\$ (11,417)	\$ 25,995
Fund balances at beginning of year	-	1,895,353	72,134	169,146	2,136,633
Fund balances at end of year	\$ -	\$ 2,156,802	\$ (151,903)	\$ 157,729	\$ 2,162,628

Discretely Presented Component Unit - School Board
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2022

Net changes in fund balances - total governmental funds \$ 25,995

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period computed as follows:

Capital outlays	\$ 303,776	
Depreciation expense	<u>(669,817)</u>	(366,041)

Transfer of joint tenancy assets from Primary Government to Component Unit School Board 1,092,959

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

Change in deferred inflows related to:

Pension items	\$ (5,970,031)	
OPEB items	<u>(152,346)</u>	(6,122,377)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Change in deferred outflows related to:

Pension items	\$ (1,004,977)	
OPEB items	(8,643)	
Change in net pension liability	9,434,744	
Change in net OPEB liability - group life insurance	299,287	
Change in net OPEB liability - health insurance credit	35,394	
Change in total Pay-as-you-Go OPEB liability	<u>(10,000)</u>	<u>8,745,805</u>

Changes in net position of governmental activities \$ 3,376,341

CITY OF MARTINSVILLE, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2022

	School Operating Fund				School Cafeteria 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)
Revenues:								
Revenue from use of money and property	\$ -	\$ -	\$ 4,248	\$ 4,248	\$ 55,000	\$ 55,000	\$ 38,485	\$ (16,515)
Charges for services	-	-	-	-	190,000	190,000	145,639	(44,361)
Miscellaneous	-	117,455	214,539	97,084	-	-	-	-
Recovered costs	564,549	564,549	335,866	(228,683)	-	-	-	-
Intergovernmental:								
Local government	6,219,545	6,219,545	4,940,076	(1,279,469)	-	-	-	-
Commonwealth	16,514,977	16,540,977	16,759,403	218,426	136,771	136,771	58,387	(78,384)
Federal	41,642	3,893,856	2,567,829	(1,326,027)	1,315,000	1,315,000	1,718,152	403,152
Total revenues	\$ 23,340,713	\$ 27,336,382	\$ 24,821,961	\$ (2,514,421)	\$ 1,696,771	\$ 1,696,771	\$ 1,960,663	\$ 263,892
Expenditures:								
Current:								
Education	\$ 23,340,713	\$ 27,828,779	\$ 24,833,447	\$ 2,995,332	\$ 1,737,007	\$ 1,737,007	\$ 1,699,214	\$ 37,793
Total expenditures	\$ 23,340,713	\$ 27,828,779	\$ 24,833,447	\$ 2,995,332	\$ 1,737,007	\$ 1,737,007	\$ 1,699,214	\$ 37,793
Excess (deficiency) of revenues over expenditures	\$ -	\$ (492,397)	\$ (11,486)	\$ 480,911	\$ (40,236)	\$ (40,236)	\$ 261,449	\$ 301,685
Other financing sources (uses):								
Insurance recoveries	\$ -	\$ -	\$ 11,486	\$ (11,486)	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ 11,486	\$ (11,486)	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ -	\$ (492,397)	\$ -	\$ 469,425	\$ (40,236)	\$ (40,236)	\$ 261,449	\$ 301,685
Fund balances at beginning of year, as restated	-	492,397	-	(492,397)	40,236	40,236	1,895,353	1,855,117
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,156,802	\$ 2,156,802

School Grants Fund				School Activity Fund			
Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	193,012	193,012
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,366,738	1,766,683	(600,055)	-	-	-	-
\$ -	\$ 2,366,738	\$ 1,766,683	\$ (600,055)	\$ -	\$ -	\$ 193,012	\$ 193,012
\$ -	\$ 2,371,667	\$ 1,990,720	\$ 380,947	\$ -	\$ -	\$ 204,429	\$ (204,429)
\$ -	\$ 2,371,667	\$ 1,990,720	\$ 380,947	\$ -	\$ -	\$ 204,429	\$ (204,429)
\$ -	\$ (4,929)	\$ (224,037)	\$ (219,108)	\$ -	\$ -	\$ (11,417)	\$ (11,417)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ (4,929)	\$ (224,037)	\$ (219,108)	\$ -	\$ -	\$ (11,417)	\$ (11,417)
-	-	72,134	72,134	-	-	169,146	169,146
\$ -	\$ (4,929)	\$ (151,903)	\$ (146,974)	\$ -	\$ -	\$ 157,729	\$ 157,729

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Supporting Schedules

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Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2022

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,510,000	\$ 6,510,000	\$ 6,824,550	\$ 314,550
Real and personal public service corporation taxes	268,900	268,900	302,100	33,200
Personal property taxes	980,000	980,000	1,219,899	239,899
Business equipment	1,000,000	1,000,000	1,139,246	139,246
Machinery and tools taxes	123,000	123,000	135,958	12,958
Penalties	120,000	120,000	144,856	24,856
Interest and costs	125,000	125,000	175,118	50,118
Total general property taxes	<u>\$ 9,126,900</u>	<u>\$ 9,126,900</u>	<u>\$ 9,941,727</u>	<u>\$ 814,827</u>
Other local taxes:				
Local sales and use taxes	\$ 2,151,200	\$ 2,151,200	\$ 2,765,851	\$ 614,651
Consumers' utility taxes	569,300	569,300	585,152	15,852
Business license tax	1,850,000	1,850,000	2,157,701	307,701
Franchise license taxes	20,000	20,000	20,000	-
Motor vehicle licenses	335,000	335,000	345,563	10,563
Bank franchise tax	310,000	310,000	507,145	197,145
Taxes on recordation and wills	50,000	50,000	108,003	58,003
Grantor tax	16,000	16,000	28,555	12,555
Cigarette tax	130,000	130,000	144,826	14,826
Rental tax	100	100	44	(56)
Transient room tax	15,000	15,000	15,910	910
Total other local taxes	<u>\$ 5,446,600</u>	<u>\$ 5,446,600</u>	<u>\$ 6,678,750</u>	<u>\$ 1,232,150</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 3,700	\$ 3,700	\$ 3,609	\$ (91)
Other permits and licenses	82,550	83,355	90,241	6,886
Total permits, privilege fees and regulatory licenses	<u>\$ 86,250</u>	<u>\$ 87,055</u>	<u>\$ 93,850</u>	<u>\$ 6,795</u>
Fines and Forfeitures:				
Court fines and forfeitures	\$ 100,000	\$ 100,000	\$ 78,950	\$ (21,050)
Other fines and forfeitures	11,000	11,000	7,337	(3,663)
Total fines and forfeitures	<u>\$ 111,000</u>	<u>\$ 111,000</u>	<u>\$ 86,287</u>	<u>\$ (24,713)</u>

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

For the Year Ended June 30, 2022 (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	\$ 275,020	\$ 275,020	\$ 451,664	\$ 176,644
Revenue from use of property	845,402	845,402	732,858	(112,544)
Total revenue from use of money and property	\$ 1,120,422	\$ 1,120,422	\$ 1,184,522	\$ 64,100
Charges for services:				
Sheriff fees	\$ 3,624	\$ 3,624	\$ 3,624	\$ -
Courthouse maintenance fees	6,000	6,000	4,688	(1,312)
Court appointed attorney fees	8,000	8,000	3,717	(4,283)
Court house security fees	20,000	20,000	24,077	4,077
Ambulance Fees	500,000	500,000	565,241	65,241
Document reproduction fee	1,800	1,800	1,590	(210)
Remote access fee	7,500	7,500	16,955	9,455
Commonwealth attorney fees	4,000	4,000	3,848	(152)
Other public safety fees	7,700	7,700	5,903	(1,797)
Recreation fees	2,000	2,000	-	(2,000)
Prison farm labor / street maintenance	24,000	24,000	24,000	-
Telecom services	1,871,265	1,871,265	1,605,026	(266,239)
Other charges for services	33,500	33,500	130,350	96,850
Total charges for services	\$ 2,489,389	\$ 2,489,389	\$ 2,389,019	\$ (100,370)
Miscellaneous:				
Payment in lieu of tax	\$ 508,377	\$ 508,377	\$ 508,377	\$ -
Other miscellaneous revenue	38,000	39,686	25,430	(14,256)
Total miscellaneous	\$ 546,377	\$ 548,063	\$ 533,807	\$ (14,256)
Recovered costs:				
WW Moore	\$ 35,000	\$ 35,000	\$ 48,267	\$ 13,267
SSI / LIDS	5,000	5,000	6,500	1,500
Circuit court and J&DR court	1,000	1,000	5,059	4,059
Meals tax administration	62,904	62,904	62,904	-
Street maintenance overhead	200,000	200,000	200,000	-
Demolition	1,500	1,500	18,239	16,739
Advance / recovered cost	100,000	100,000	176,817	76,817
Health department	5,000	5,000	-	(5,000)
Juror and witness	3,500	3,500	4,800	1,300
Sheriff	-	-	8,827	8,827
Medical co-pay reimbursement	6,000	6,000	5,539	(461)
Treasurer	17,000	17,000	21,195	4,195
Project lifesaver	1,000	1,000	363	(637)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2022 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Primary Government: (Continued)				
General Fund: (Continued)				
Recovered costs: (Continued)				
Traffic reimbursement	\$ 500	\$ 500	\$ 360	\$ (140)
Telecom recovered costs	130,000	130,000	58,852	(71,148)
Collection expense	77,670	77,670	77,670	-
Billing expense	353,063	353,063	353,063	-
Safety expense	31,886	31,886	31,886	-
Communication	10,482	10,482	10,482	-
Public safety	35,000	35,000	13,052	(21,948)
Inmate fees	90,000	90,000	62,930	(27,070)
Crisis intervention team	45,000	45,000	29,761	(15,239)
Central garage	109,105	109,105	109,105	-
Other central services	641,154	641,154	641,154	-
Senior citizens	6,000	6,000	1,888	(4,112)
Social services	23,525	23,525	23,525	-
Program income	1,200	1,200	1,141	(59)
Fire training	-	-	1,000	1,000
EMS Training	5,000	5,000	-	(5,000)
Senior citizens - transportation	2,000	2,000	1,378	(622)
Fiscal agent fees - regional library	3,600	3,600	4,518	918
Total recovered costs	\$ 2,003,089	\$ 2,003,089	\$ 1,980,275	\$ (22,814)
Total revenue from local sources	\$ 20,930,027	\$ 20,932,518	\$ 22,888,237	\$ 1,955,719
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 8,400	\$ 8,400	\$ 8,042	\$ (358)
PPTRA	626,428	626,428	626,428	-
Communications tax	700,000	700,000	648,446	(51,554)
Auto rental tax	90,000	90,000	121,080	31,080
Total noncategorical aid	\$ 1,424,828	\$ 1,424,828	\$ 1,403,996	\$ (20,832)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 543,826	\$ 547,145	\$ 535,079	\$ (12,066)
Sheriff	2,076,395	2,076,395	1,928,383	(148,012)
Commissioner of the Revenue	126,426	126,426	126,900	474
Treasurer	108,332	108,332	108,667	335
Registrar/electoral board	56,000	56,000	63,414	7,414
Clerk of the circuit court	338,621	338,621	356,558	17,937
Total shared expenses	\$ 3,249,600	\$ 3,252,919	\$ 3,119,001	\$ (133,918)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

For the Year Ended June 30, 2022 (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	\$ 10,000	\$ 10,000	\$ 7,123	\$ (2,877)
Confiscated assets	-	26,024	26,022	(2)
Victim witness	28,240	33,888	22,674	(11,214)
House Bill # 599 - police	936,017	936,017	936,017	-
EMS four for life	10,000	10,000	-	(10,000)
Fire grant	39,000	55,940	55,940	-
Street maintenance	3,516,560	3,516,560	3,576,713	60,153
Jail per diem	300,000	300,000	397,257	97,257
Comprehensive services	350,000	350,000	606,382	256,382
Other categorical aid	-	107,225	204,546	97,321
Total other categorical aid	\$ 5,189,817	\$ 5,345,654	\$ 5,832,674	\$ 487,020
Total categorical aid	\$ 8,439,417	\$ 8,598,573	\$ 8,951,675	\$ 353,102
Total revenue from the Commonwealth	\$ 9,864,245	\$ 10,023,401	\$ 10,355,671	\$ 332,270
Revenue from the federal government:				
Categorical aid:				
Victim witness	\$ 84,719	\$ 79,071	\$ 77,912	\$ (1,159)
Confiscated assets	-	-	7,416	7,416
DMV grant - police	9,000	9,000	4,360	(4,640)
Senior citizens	20,000	20,000	23,584	3,584
Viper overtime grant	9,000	9,000	2,289	(6,711)
Bulletproof vest grant	-	-	9,160	9,160
FEMA	7,500	7,500	32,304	24,804
Coronavirus state and local fiscal recovery funds	-	-	1,977,686	1,977,686
Other categorical aid	5,000	23,406	247,602	224,196
Total categorical aid	\$ 135,219	\$ 147,977	\$ 2,382,313	\$ 2,234,336
Total revenue from the Federal Government	\$ 135,219	\$ 147,977	\$ 2,382,313	\$ 2,234,336
Total General Fund	\$ 30,929,491	\$ 31,103,896	\$ 35,626,221	\$ 4,522,325
Special Revenue Funds:				
City Grants Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 460	\$ 460	\$ 150	\$ (310)
Revenue from use of property	21,672	21,672	10,806	(10,866)
Total revenue from use of money and property	\$ 22,132	\$ 22,132	\$ 10,956	\$ (11,176)
Total revenue from local sources	\$ 22,132	\$ 22,132	\$ 10,956	\$ (11,176)
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ 1,183,310	\$ 21,100	\$ (1,162,210)
Total revenue from the Federal Government	\$ -	\$ 1,183,310	\$ 21,100	\$ (1,162,210)
Total City Grants Fund	\$ 22,132	\$ 1,205,442	\$ 32,056	\$ (1,173,386)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

For the Year Ended June 30, 2022 (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	\$ -	\$ 10,600	\$ 11,943	\$ 1,343
Total revenue from local sources	\$ -	\$ 10,600	\$ 11,943	\$ 1,343
Total Capital Reserve Fund	\$ -	\$ 10,600	\$ 11,943	\$ 1,343
Meals Tax Fund:				
Revenue from local sources:				
Other local taxes:				
Meals taxes	\$ 2,100,000	\$ 2,100,000	\$ 2,340,491	\$ 240,491
Total revenue from local sources	\$ 2,100,000	\$ 2,100,000	\$ 2,340,491	\$ 240,491
Intergovernmental:				
Revenue from the Federal Government				
Categorical aid:				
QSCB tax credit	\$ 372,720	\$ 372,720	\$ 372,720	\$ -
Total revenue from the Federal Government	\$ 372,720	\$ 372,720	\$ 372,720	\$ -
Total Meals Tax Fund	\$ 2,472,720	\$ 2,472,720	\$ 2,713,211	\$ 240,491
Total Capital Projects Funds	\$ 2,472,720	\$ 2,483,320	\$ 2,725,154	\$ 241,834
Total Revenues -- Primary Government	\$ 33,424,343	\$ 34,792,658	\$ 38,383,431	\$ 3,590,773

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2022 (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	\$ -	\$ -	\$ 4,248	\$ 4,248
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ 117,455	\$ 214,539	\$ 97,084
Recovered costs:				
Recovered costs	\$ 564,549	\$ 564,549	\$ 335,866	\$ (228,683)
Total revenue from local sources	\$ 564,549	\$ 682,004	\$ 554,653	\$ (127,351)
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Martinsville, Virginia	\$ 6,219,545	\$ 6,219,545	\$ 4,940,076	\$ (1,279,469)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,635,080	\$ 2,635,080	\$ 3,167,057	\$ 531,977
Basic school aid	6,585,445	6,585,445	5,923,268	(662,177)
Share of fringe benefits - FICA	447,213	447,213	414,825	(32,388)
Share of fringe benefits - VRS	1,040,763	1,040,763	1,005,900	(34,863)
English as a second language	102,064	102,064	130,103	28,039
Group life insurance benefits	31,455	31,455	50,958	19,503
Regional tuition special education	150,666	150,666	249,967	99,301
Early reading intervention	72,234	72,234	147,246	75,012
Vocational SOQ payments	222,923	222,923	215,456	(7,467)
Special education - basic	804,164	804,164	784,569	(19,595)
At risk students	1,503,909	1,503,909	1,493,173	(10,736)
Homebound education	8,126	8,126	-	(8,126)
Remedial education	10,648	10,648	183,996	173,348
Remediation SOQ payments	510,124	510,124	493,036	(17,088)
Reduced K-3	579,627	579,627	563,189	(16,438)
Preschool initiative	299,119	299,119	499,258	200,139
Textbooks	146,979	146,979	142,055	(4,924)
Technology	158,728	158,728	4,244	(154,484)
Other state funds	1,205,710	1,231,710	1,291,103	59,393
Total categorical aid	\$ 16,514,977	\$ 16,540,977	\$ 16,759,403	\$ 218,426
Total revenue from the Commonwealth	\$ 16,514,977	\$ 16,540,977	\$ 16,759,403	\$ 218,426

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2022 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Component Unit-School Board: (Continued)				
Governmental Funds: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Education stabilization fund	\$ -	\$ 3,790,285	\$ 2,527,570	\$ (1,262,715)
Other federal categorical aid	41,642	103,571	40,259	(63,312)
Total categorical aid	\$ 41,642	\$ 3,893,856	\$ 2,567,829	\$ (1,326,027)
Total revenue from the federal government	\$ 41,642	\$ 3,893,856	\$ 2,567,829	\$ (1,326,027)
Total School Operating Fund	\$ 23,340,713	\$ 27,336,382	\$ 24,821,961	\$ (2,514,421)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 55,000	\$ 55,000	\$ 38,485	\$ (16,515)
Charges for services:				
Cafeteria sales	\$ 190,000	\$ 190,000	\$ 145,639	\$ (44,361)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 136,771	\$ 136,771	\$ 58,387	\$ (78,384)
Revenue from the federal government:				
Categorical aid:				
School food	\$ 1,315,000	\$ 1,315,000	\$ 1,718,152	\$ 403,152
Total School Cafeteria Fund	\$ 1,696,771	\$ 1,696,771	\$ 1,960,663	\$ 263,892
School Grants Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ -	\$ 1,241,064	\$ 1,149,434	\$ (91,630)
Title II - teacher quality	-	140,791	125,796	(14,995)
Title III - language acquisition grant	-	13,201	4,585	(8,616)
Title IV - student support and academic enrichment	-	88,939	23,248	(65,691)
Title VI - rural education	-	43,285	-	(43,285)
Special education - flow through	-	721,900	400,288	(321,612)
Special education - preschool	-	16,701	1,988	(14,713)
Perkins vocational education	-	100,857	61,344	(39,513)
Total revenue from the federal government	\$ -	\$ 2,366,738	\$ 1,766,683	\$ (600,055)
Total School Grants Fund	\$ -	\$ 2,366,738	\$ 1,766,683	\$ (600,055)
School Activity Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ -	\$ 193,012	\$ 193,012
Total revenue from local sources	\$ -	\$ -	\$ 193,012	\$ 193,012
Total School Activity Fund	\$ -	\$ -	\$ 193,012	\$ 193,012
Total Revenues--Component Unit - School Board	\$ 25,037,484	\$ 31,399,891	\$ 28,742,319	\$ (2,657,572)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2022

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	\$ 45,490	\$ 45,490	\$ 36,432	\$ 9,058
General and Financial Administration:				
Clerk of council	\$ 4,682	\$ 4,682	\$ 4,670	\$ 12
City attorney	124,556	124,556	98,585	25,971
City manager's office	287,874	287,874	283,791	4,083
Assistant city manager	70,017	70,017	67,107	2,910
Legal services	5,000	5,000	-	5,000
Human resources	230,485	230,485	203,945	26,540
Employment services	402,220	402,220	341,342	60,878
Communications	24,889	24,889	55,712	(30,823)
Commissioner of the Revenue	516,833	516,833	489,689	27,144
Assessor	1,435	1,435	1,110	325
Treasurer	382,728	382,728	364,062	18,666
Finance director	274,885	274,885	209,220	65,665
Accounting	192,118	192,118	190,868	1,250
Utility billing	406,724	406,724	376,618	30,106
Information services	516,981	516,981	446,662	70,319
Central garage	513,724	513,724	481,216	32,508
Purchasing	183,729	183,729	179,773	3,956
Risk management	229,381	229,381	214,080	15,301
General expenses	263,816	263,816	2,879,840	(2,616,024)
Total general and financial administration	\$ 4,632,077	\$ 4,632,077	\$ 6,888,290	\$ (2,256,213)
Board of Elections:				
Electoral board and officials	\$ 26,999	\$ 26,999	\$ 17,970	\$ 9,029
Registrar	154,432	154,432	152,380	2,052
Total board of elections	\$ 181,431	\$ 181,431	\$ 170,350	\$ 11,081
Total general government administration	\$ 4,858,998	\$ 4,858,998	\$ 7,095,072	\$ (2,236,074)
Judicial Administration:				
Courts:				
Circuit court	\$ 98,425	\$ 99,230	\$ 85,783	\$ 13,447
General district court	32,700	32,700	8,409	24,291
Juvenile and domestic relations court	5,425	5,425	3,413	2,012
Clerk of the circuit court	498,453	555,678	558,714	(3,036)
Sheriff - courts	1,283,881	1,328,466	1,253,444	75,022
Total Courts	\$ 1,918,884	\$ 2,021,499	\$ 1,909,763	\$ 111,736

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2022 (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	\$ 853,563	\$ 866,666	\$ 794,914	\$ 71,752
Victim witness program	120,751	120,751	105,687	15,064
Total Commonwealth attorney	\$ 974,314	\$ 987,417	\$ 900,601	\$ 86,816
Total judicial administration	\$ 2,893,198	\$ 3,008,916	\$ 2,810,364	\$ 198,552
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	\$ 4,430,072	\$ 5,024,008	\$ 4,866,554	\$ 157,454
Transportation safety commission	1,500	1,500	754	746
Total law enforcement and traffic control	\$ 4,431,572	\$ 5,025,508	\$ 4,867,308	\$ 158,200
Fire and Rescue Services:				
Fire services	\$ 2,370,794	\$ 2,420,409	\$ 2,404,137	\$ 16,272
Emergency medical services	249,882	290,250	410,785	(120,535)
Total fire and rescue services	\$ 2,620,676	\$ 2,710,659	\$ 2,814,922	\$ (104,263)
Correction and Detention:				
Sheriff -corrections	\$ 3,688,965	\$ 3,704,045	\$ 3,884,762	\$ (180,717)
Sheriff -jail annex	215,417	217,728	278,673	(60,945)
Probation office	307,054	307,054	332,466	(25,412)
Total correction and detention	\$ 4,211,436	\$ 4,228,827	\$ 4,495,901	\$ (267,074)
Inspections:				
Building and other	\$ 390,061	\$ 432,436	\$ 367,824	\$ 64,612
Other Protection:				
Safety	\$ 201,982	\$ 232,600	\$ 189,414	\$ 43,186
Total public safety	\$ 11,855,727	\$ 12,630,030	\$ 12,735,369	\$ (105,339)
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Director of public works	\$ 155,869	\$ 155,869	\$ 147,268	\$ 8,601
Engineering	177,997	177,997	97,188	80,809
Street maintenance	2,308,621	2,308,621	2,265,280	43,341
Street marking and signs	206,138	206,138	181,527	24,611
Traffic signals	580,839	587,736	529,215	58,521

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2022 (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	\$ 443,197	\$ 443,197	\$ 399,005	\$ 44,192
Street construction	244,561	264,561	275,272	(10,711)
Total maintenance of highways, streets, bridges and sidewalks	\$ 4,117,222	\$ 4,144,119	\$ 3,894,755	\$ 249,364
Maintenance of buildings and grounds:				
Uptown maintenance	\$ 61,975	\$ 61,975	\$ 59,485	\$ 2,490
City hall maintenance	469,288	469,288	473,562	(4,274)
Warehouse / garage complex	115,484	115,484	123,769	(8,285)
WPBDC building	54,800	54,800	67,030	(12,230)
Housing services building	900	900	-	900
Chief Tassel / Med School / BB&T	62,833	62,833	110,946	(48,113)
Total maintenance of buildings and grounds	\$ 765,280	\$ 765,280	\$ 834,792	\$ (69,512)
Total public works	\$ 4,882,502	\$ 4,909,399	\$ 4,729,547	\$ 179,852
Health and Welfare				
Health:				
Contribution to local health department	\$ 165,654	\$ 165,654	\$ 165,654	\$ -
Mental Health and Mental Retardation:				
Chapter X board	\$ 58,125	\$ 58,125	\$ 58,125	\$ -
Welfare/Social Services:				
Comprehensive services	\$ 436,417	\$ 436,417	\$ 1,067,702	\$ (631,285)
Regional social services board	489,257	489,257	367,926	121,331
Total welfare/social services	\$ 925,674	\$ 925,674	\$ 1,435,628	\$ (509,954)
Total health and welfare	\$ 1,149,453	\$ 1,149,453	\$ 1,659,407	\$ (509,954)
Education:				
Contributions to community colleges	\$ 19,835	\$ 19,835	\$ 19,835	\$ -
Contributions to School Board Component Unit	6,045,015	6,045,015	4,940,076	1,104,939
Total education	\$ 6,064,850	\$ 6,064,850	\$ 4,959,911	\$ 1,104,939

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2022 (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	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Park maintenance	262,719	262,719	276,784	(14,065)
Hooker field/Mustangs	75,470	75,470	101,691	(26,221)
Senior services	211,787	211,787	193,364	18,423
Total parks and recreation	\$ 599,976	\$ 599,976	\$ 621,839	\$ (21,863)
Library:				
Regional library	\$ 295,308	\$ 295,308	\$ 295,308	\$ -
Total parks, recreation and cultural	\$ 895,284	\$ 895,284	\$ 917,147	\$ (21,863)
Community Development:				
Planning and Community Development:				
Community Development	\$ 325,780	\$ 400,332	\$ 511,316	\$ (110,984)
Telecom system	2,128,667	2,128,667	1,941,817	186,850
Planning and zoning	16,700	16,700	6,997	9,703
Contributions to local organizations	892,264	892,264	978,897	(86,633)
Total planning and community development	\$ 3,363,411	\$ 3,437,963	\$ 3,439,028	\$ (1,065)
Cooperative Extension Program:				
Horticulture and family resources	\$ 7,756	\$ 7,756	\$ 7,756	\$ -
Total community development	\$ 3,371,167	\$ 3,445,719	\$ 3,446,784	\$ (1,065)
Total General Fund	\$ 35,971,179	\$ 36,962,649	\$ 38,353,601	\$ (1,390,952)
Special Revenue Fund:				
City Grants Fund:				
Community Development:				
Community development block grant	\$ 1,608	\$ 1,202,919	\$ 39,775	\$ 1,163,144
Total City Grants Fund	\$ 1,608	\$ 1,202,919	\$ 39,775	\$ 1,163,144
Total Special Revenue Fund	\$ 1,608	\$ 1,202,919	\$ 39,775	\$ 1,163,144

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2022 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Capital Projects Funds:				
Capital Reserve Fund:				
General Government Administration:				
Computer software - information services	\$ 70,000	\$ 112,112	\$ 21,122	\$ 90,990
Physical plant expansion - Schools	-	311,561	26,741	284,820
Computer hardware/software - treasurer	7,000	7,000	6,924	76
Equipment - registrar	28,667	28,667	25,427	3,240
Total general government administration	\$ 105,667	\$ 459,340	\$ 80,214	\$ 379,126
Public Safety:				
Police department - motor vehicles	\$ 124,800	\$ 124,800	\$ 134,105	\$ (9,305)
Sheriff/Jail - motor vehicles	50,000	92,591	44,806	47,785
EMS - motor vehicles	-	140,000	134,870	5,130
Major tools and equipment - Fire department	57,358	60,358	38,128	22,230
Major tools and equipment - Sheriff / Jail	29,652	29,652	29,652	-
Total public safety	\$ 261,810	\$ 447,401	\$ 381,561	\$ 65,840
Public Works:				
Public works - motor vehicles	\$ 45,000	\$ 101,434	\$ 55,408	\$ 46,026
Major tools and equipment - garage	-	22,316	22,316	-
Physical plant expansion - WPBDC building	18,050	18,050	-	18,050
Physical plant expansion - warehouse complex	12,000	12,000	10,590	1,410
Total public works	\$ 75,050	\$ 153,800	\$ 88,314	\$ 65,486
Parks, Recreation, and Cultural:				
Parks and recreation:				
Physical plant expansion - senior services	\$ 42,200	\$ 42,200	\$ 36,923	\$ 5,277
Motor vehicles - senior services	8,000	8,000	-	8,000
Motor vehicles - park maintenance	35,000	35,000	63,000	(28,000)
Total parks, recreation and cultural	\$ 85,200	\$ 85,200	\$ 99,923	\$ (14,723)
Debt service:				
Principal retirement	\$ 326,248	\$ 326,248	\$ 326,248	\$ -
Interest and other debt costs	35,104	35,104	35,104	-
Total debt service	\$ 361,352	\$ 361,352	\$ 361,352	\$ -
Total Capital Reserve Fund	\$ 889,079	\$ 1,507,093	\$ 1,011,364	\$ 495,729

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2022 (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	\$ 62,904	\$ 62,904	\$ 62,904	\$ -
Debt service:				
Principal retirement	\$ 1,092,959	\$ 1,092,959	\$ 1,092,959	\$ -
Interest and other debt costs	432,163	432,163	432,163	-
Total debt service	\$ 1,525,122	\$ 1,525,122	\$ 1,525,122	\$ -
Total Meals Tax Fund	<u>\$ 1,588,026</u>	<u>\$ 1,588,026</u>	<u>\$ 1,588,026</u>	<u>\$ -</u>
Total Capital Projects Funds	<u>\$ 2,477,105</u>	<u>\$ 3,095,119</u>	<u>\$ 2,599,390</u>	<u>\$ 495,729</u>
Total Expenditures - Primary Government	<u>\$ 38,449,892</u>	<u>\$ 41,260,687</u>	<u>\$ 40,992,766</u>	<u>\$ 267,921</u>
Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction	\$ 16,261,172	\$ 17,734,629	\$ 15,913,407	\$ 1,821,222
Administration, attendance and health	1,646,718	2,430,614	2,247,668	182,946
Pupil transportation	1,107,780	1,419,761	1,252,998	166,763
Operation and maintenance of school plant	2,947,654	4,604,317	3,990,358	613,959
Technology	1,377,389	1,639,458	1,429,016	210,442
Total operating costs	\$ 23,340,713	\$ 27,828,779	\$ 24,833,447	\$ 2,995,332
Total School Operating Fund	<u>\$ 23,340,713</u>	<u>\$ 27,828,779</u>	<u>\$ 24,833,447</u>	<u>\$ 2,995,332</u>
School Cafeteria Fund:				
Education:				
School food services	<u>\$ 1,737,007</u>	<u>\$ 1,737,007</u>	<u>\$ 1,699,214</u>	<u>\$ 37,793</u>
School Grants Fund:				
Education:				
Instruction costs	<u>\$ -</u>	<u>\$ 2,371,667</u>	<u>\$ 1,990,720</u>	<u>\$ 380,947</u>
School Activity Fund:				
Education:				
Instruction costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,429</u>	<u>\$ (204,429)</u>
Total Expenditures - Component Unit - School Board	<u>\$ 25,077,720</u>	<u>\$ 31,937,453</u>	<u>\$ 28,727,810</u>	<u>\$ 3,209,643</u>

Pledged Revenue Coverage - Water and Sewer Revenue Bonds
For the Years Ended June 30, 2018 through June 30, 2022

Fiscal Year	Gross Revenue (1)		Less Operating Expenses (2)		Net Revenues Available For Debt Service	Debt Service		Coverage
						Principal	Interest	
2022	\$	8,192,898	\$	5,549,516	\$ 2,643,382	\$ 682,359	\$ -	387%
2021		8,387,678		6,032,903	2,354,775	634,336	-	371%
2020		8,268,755		5,554,602	2,714,153	634,336	-	428%
2019		7,874,781		5,344,145	2,530,636	495,740	-	510%
2018		7,794,909		4,815,388	2,979,521	178,571	-	1669%

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

(2) Net of depreciation expense.

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

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
Net investment in capital assets	\$ 7,783,672	\$ 9,025,281	\$ 8,309,912	\$ 10,250,210	\$ 10,624,972	\$ 10,317,087	\$ 10,741,090	9,567,363	\$ 9,375,841	\$ 9,218,432
Unrestricted	<u>9,266,186</u>	<u>11,321,289</u>	<u>(4,717,533)</u>	<u>(5,823,340)</u>	<u>(7,197,367)</u>	<u>(9,652,267)</u>	<u>(9,136,286)</u>	<u>(8,626,444)</u>	<u>(8,510,553)</u>	<u>(8,128,912)</u>
Total governmental activities net position	<u>\$ 17,049,858</u>	<u>\$ 20,346,570</u>	<u>\$ 3,592,379</u>	<u>\$ 4,426,870</u>	<u>\$ 3,427,605</u>	<u>\$ 664,820</u>	<u>\$ 1,604,804</u>	<u>940,919</u>	<u>\$ 865,288</u>	<u>\$ 1,089,520</u>
Business-type activities:										
Net investment in capital assets	\$ 17,668,620	\$ 17,998,885	\$ 18,933,157	\$ 20,792,962	\$ 20,155,003	\$ 21,620,820	\$ 24,696,125	25,296,901	\$ 26,753,935	\$ 26,842,796
Unrestricted	<u>10,467,030</u>	<u>9,385,092</u>	<u>6,106,918</u>	<u>4,335,678</u>	<u>9,186,299</u>	<u>6,855,519</u>	<u>6,529,974</u>	<u>7,979,888</u>	<u>8,228,683</u>	<u>6,170,627</u>
Total business-type activities net position	<u>\$ 28,135,650</u>	<u>\$ 27,383,977</u>	<u>\$ 25,040,075</u>	<u>\$ 25,128,640</u>	<u>\$ 29,341,302</u>	<u>\$ 28,476,339</u>	<u>\$ 31,226,099</u>	<u>33,276,789</u>	<u>\$ 34,982,618</u>	<u>\$ 33,013,423</u>
Primary government										
Net investment in capital assets	\$ 25,452,292	\$ 27,024,166	\$ 27,243,069	\$ 31,043,172	\$ 30,779,975	\$ 31,937,907	\$ 35,437,215	34,864,264	\$ 36,129,776	\$ 36,061,228
Unrestricted	<u>19,733,216</u>	<u>20,706,381</u>	<u>1,389,385</u>	<u>(1,487,662)</u>	<u>1,988,932</u>	<u>(2,796,748)</u>	<u>(2,606,312)</u>	<u>(646,556)</u>	<u>(281,870)</u>	<u>(1,958,285)</u>
Total primary government	<u>\$ 45,185,508</u>	<u>\$ 47,730,547</u>	<u>\$ 28,632,454</u>	<u>\$ 29,555,510</u>	<u>\$ 32,768,907</u>	<u>\$ 29,141,159</u>	<u>\$ 32,830,903</u>	<u>34,217,708</u>	<u>\$ 35,847,906</u>	<u>\$ 34,102,943</u>

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

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

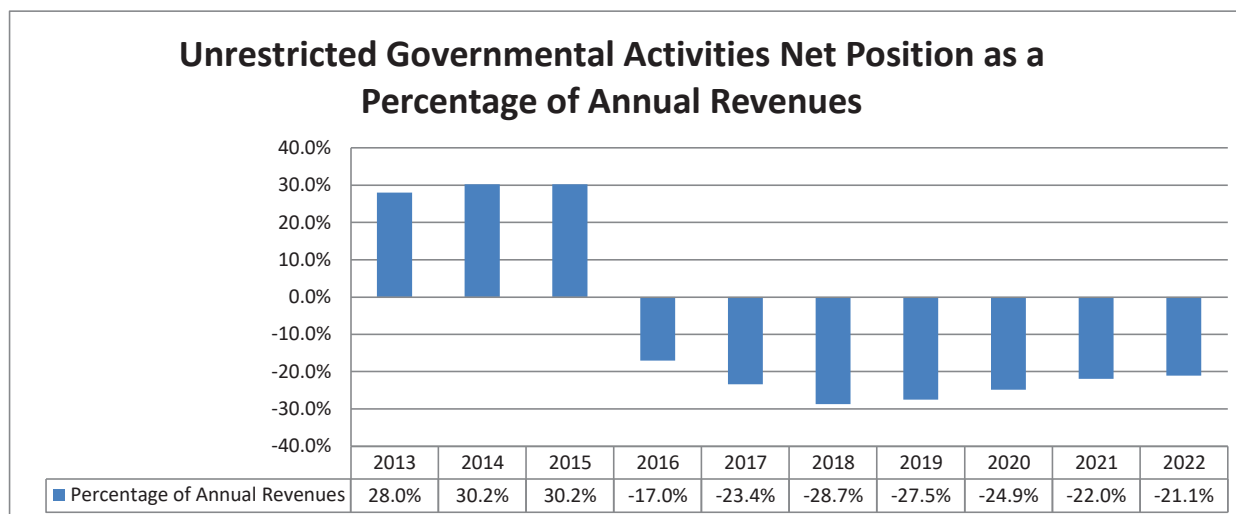
	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses:										
Governmental activities:										
General government administration	\$ 3,632,201	\$ 3,652,928	\$ 3,800,766	\$ 4,612,205	\$ 3,245,979	\$ 3,201,860	\$ 3,431,098	\$ 4,618,016	\$ 4,682,408	\$ 6,235,576
Judicial administration	1,981,577	2,165,263	2,096,773	2,250,373	2,322,293	2,314,974	2,262,276	2,641,457	2,762,578	2,767,408
Public safety	9,393,253	9,418,417	9,176,453	9,837,593	9,805,711	9,902,833	9,801,973	11,826,946	12,944,151	12,894,682
Public works	4,957,877	4,265,599	3,456,455	4,246,016	3,659,946	4,926,615	3,545,037	4,354,892	5,353,609	3,942,681
Health and welfare	748,961	679,779	674,858	770,780	859,053	960,166	1,114,250	1,227,588	1,469,097	1,625,251
Education	5,800,158	6,876,345	7,794,188	7,091,099	7,401,665	7,305,996	7,296,370	6,282,794	5,381,040	6,220,948
Parks, recreation, and cultural	1,085,674	1,044,516	930,080	941,835	923,286	883,520	855,335	955,956	935,267	990,529
Community development	3,705,549	5,390,512	4,958,922	3,373,272	3,381,324	3,231,968	3,073,604	3,282,279	5,332,000	3,478,652
Interest and other fiscal charges	488,284	688,152	616,888	216,619	184,109	153,162	126,708	133,477	103,981	89,952
Total governmental activities expenses	\$ 31,793,534	\$ 34,181,511	\$ 33,505,383	\$ 33,339,792	\$ 31,783,366	\$ 32,881,094	\$ 31,506,651	\$ 35,323,405	\$ 38,964,131	\$ 38,245,679
Business-type activities:										
Electric	\$ 13,609,901	\$ 16,329,938	\$ 15,552,584	\$ 16,266,023	\$ 16,860,239	\$ 18,842,419	\$ 18,277,367	\$ 17,444,975	\$ 17,591,291	\$ 20,597,013
Water	1,756,400	1,744,194	1,576,999	1,817,456	1,979,099	1,998,279	2,199,820	2,359,706	2,647,895	2,559,635
Sewer	2,762,385	3,107,701	3,063,555	3,104,212	3,279,987	3,352,971	4,011,522	4,202,694	4,469,997	4,141,061
Refuse collection / landfill	1,566,262	1,490,749	1,454,477	1,586,815	1,765,041	1,792,739	1,956,974	1,959,383	1,883,910	1,997,015
Total business-type activities expenses	\$ 19,694,948	\$ 22,672,582	\$ 21,647,615	\$ 22,774,506	\$ 23,884,366	\$ 25,986,408	\$ 26,445,683	\$ 25,966,758	\$ 26,593,093	\$ 29,294,724
Total primary government expenses	\$ 51,488,482	\$ 56,854,093	\$ 55,152,998	\$ 56,114,298	\$ 55,667,732	\$ 58,867,502	\$ 57,952,334	\$ 61,290,163	\$ 65,557,224	\$ 67,540,403
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 210,744	\$ 27,323	\$ 71,257	\$ 58,315	\$ 54,221	\$ 54,132	\$ 52,714	\$ 25,092	\$ 24,179	\$ 52,987
Judicial administration	215,326	177,396	220,001	170,680	199,722	216,855	209,082	139,760	140,128	132,617
Public safety	603,156	502,374	556,608	533,667	557,825	570,985	638,338	773,151	673,967	754,526
Public works	24,000	24,000	367,457	1,239,954	1,327,920	1,483,813	1,572,827	1,656,197	1,558,169	1,629,025
Parks, recreation, and cultural	51,468	224,677	13,847	10,735	12,162	12,589	3,825	2,241	-	-
Operating grants and contributions:										
General government administration	275,042	310,483	230,355	228,325	218,070	230,181	233,651	277,684	505,481	1,400,975
Judicial administration	721,469	738,874	766,853	789,944	793,561	808,053	828,856	841,540	847,081	891,637
Public safety	3,189,324	3,229,434	3,192,089	3,366,678	3,600,720	3,446,573	3,415,292	3,497,408	4,780,825	4,140,591
Public works	2,937,259	3,183,251	3,139,103	3,220,499	3,267,296	3,628,653	3,400,619	3,494,529	3,844,187	3,825,406
Health and welfare	146,616	106,284	107,481	171,032	201,601	241,134	373,462	385,528	639,624	764,404
Parks, recreation, and cultural	29,024	34,111	27,393	31,257	43,729	34,468	32,786	30,259	63,054	87,932
Community development	1,816,471	3,566,872	1,840,583	884,321	474,766	184,155	43,759	125,876	686,735	64,518
Capital grants and contributions	2,051,086	1,900,918	1,099,371	2,641	199,426	327,400	755,137	1,199,002	2,221,585	179,625
Total governmental activities program revenues	\$ 12,270,985	\$ 14,025,997	\$ 11,632,398	\$ 10,708,048	\$ 10,951,019	\$ 11,238,991	\$ 11,560,348	\$ 12,448,267	\$ 15,985,015	\$ 13,924,243

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Business-type activities:										
Charges for services:										
Electric	\$ 16,737,265	\$ 17,196,837	\$ 17,630,862	\$ 17,770,846	\$ 18,680,678	\$ 18,787,334	\$ 19,245,478	\$ 19,251,609	\$ 19,232,456	\$ 19,242,484
Water	3,223,717	3,268,689	3,301,837	3,284,234	3,602,775	3,497,724	3,537,366	3,565,780	3,487,960	3,555,725
Sewer	3,917,792	3,840,429	3,929,737	4,226,823	4,255,883	4,269,547	4,314,029	4,675,337	4,675,061	4,362,696
Refuse collection / landfill	1,599,297	2,080,731	2,199,089	2,232,517	2,280,710	2,237,742	2,244,328	2,434,359	1,713,245	1,739,784
Capital grants and contributions	-	15,894	-	-	-	-	1,000,000	-	522,011	57,989
Total business-type activities program revenues	\$ 25,478,071	\$ 26,402,580	\$ 27,061,525	\$ 27,514,420	\$ 28,820,046	\$ 28,792,347	\$ 30,341,201	\$ 29,927,085	\$ 29,630,733	\$ 28,958,678
Total primary government program revenues	\$ 39,504,068	\$ 38,034,978	\$ 37,769,573	\$ 38,465,439	\$ 39,771,065	\$ 40,031,338	\$ 41,901,549	\$ 42,375,352	\$ 45,615,748	\$ 42,882,921
Net (expense) / revenue										
Governmental activities	\$ (20,155,514)	\$ (21,872,985)	\$ (22,631,744)	\$ (20,832,347)	\$ (20,832,347)	\$ (21,642,103)	\$ (19,946,303)	\$ (22,875,138)	\$ (22,979,116)	\$ (24,321,436)
Business-type activities	2,805,489	4,754,965	4,287,019	3,630,054	4,935,680	2,805,939	3,895,518	3,960,327	3,037,640	(336,046)
Total primary government net expense	\$ (17,350,025)	\$ (17,118,020)	\$ (18,344,725)	\$ (17,202,293)	\$ (15,896,667)	\$ (18,836,164)	\$ (16,050,785)	\$ (18,914,811)	\$ (19,941,476)	\$ (24,657,482)
General Revenues and Other Changes in Net Position										
Governmental activities:										
General property taxes	\$ 8,815,665	\$ 9,063,889	\$ 8,984,049	\$ 8,949,568	\$ 9,072,495	\$ 8,964,713	\$ 9,728,127	\$ 9,591,164	\$ 9,448,108	\$ 9,681,294
Local sales and use taxes	1,886,892	2,017,806	1,921,102	2,033,632	2,046,701	1,968,475	2,039,498	2,075,778	2,346,936	2,765,851
Consumer utility taxes	684,046	669,664	678,862	654,989	640,608	656,804	606,852	566,901	568,104	585,152
Business license taxes	1,769,645	1,807,604	1,607,168	1,715,637	1,770,305	1,984,863	1,957,688	1,908,324	1,943,342	2,157,701
Meals tax	1,552,032	1,583,889	1,665,418	1,717,249	1,738,415	1,804,893	1,909,213	1,960,507	2,163,683	2,340,491
Other local taxes	787,788	838,603	895,763	884,145	925,346	961,884	1,041,265	929,801	1,071,966	1,170,046
Grants and contributions not restricted to specific programs	1,642,941	1,634,436	1,629,988	1,622,427	1,605,957	1,577,765	1,526,595	1,883,750	1,436,736	1,403,996
Unrestricted revenues from use of money and property	684,989	925,705	649,438	958,834	1,024,325	1,225,674	1,326,137	1,195,720	1,198,865	1,207,421
Miscellaneous	263,000	403,029	243,521	249,786	258,851	349,751	361,768	551,813	544,762	1,092,028
Transfers	2,743,691	4,507,601	3,946,547	4,679,968	750,079	2,891,539	1,169,144	1,547,495	2,000,000	2,141,688
Total governmental activities	\$ 20,830,689	\$ 23,452,226	\$ 22,221,856	\$ 23,466,235	\$ 19,833,082	\$ 22,386,361	\$ 21,666,287	\$ 22,211,253	\$ 22,722,502	\$ 24,545,668
Business-type activities:										
Transfers	\$ (2,743,691)	\$ (4,507,601)	\$ (3,946,547)	\$ (4,679,968)	\$ (750,079)	\$ (2,891,539)	\$ (1,169,144)	\$ (1,547,495)	\$ (2,000,000)	\$ (2,141,688)
Unrestricted revenues from use of money and property	26,213	25,930	23,386	28,619	27,061	27,638	23,386	27,638	25,512	25,512
Miscellaneous	-	-	-	-	-	15,195	-	-	642,677	483,027
Loss on asset disposal	-	-	-	-	-	-	-	(389,780)	-	-
Total business-type activities	\$ (2,717,478)	\$ (4,481,671)	\$ (3,923,161)	\$ (4,651,349)	\$ (723,018)	\$ (2,848,706)	\$ (1,145,758)	\$ (1,909,637)	\$ (1,331,811)	\$ (1,633,149)
Total primary government	\$ 18,113,211	\$ 18,970,555	\$ 18,298,695	\$ 18,814,886	\$ 19,110,064	\$ 19,537,655	\$ 20,520,529	\$ 20,301,616	\$ 21,390,691	\$ 22,912,519
Change in Net Position										
Governmental activities	\$ 675,175	\$ 1,579,241	\$ (409,888)	\$ 2,633,888	\$ (999,265)	\$ 744,258	\$ 1,719,984	\$ (663,885)	\$ (256,614)	\$ 224,232
Business-type activities	88,011	273,294	363,858	(1,021,295)	4,212,662	(42,767)	2,749,760	2,050,690	1,705,829	(1,969,195)
Total primary government	\$ 763,186	\$ 1,852,535	\$ (46,030)	\$ 1,612,593	\$ 3,213,397	\$ 701,491	\$ 4,469,744	\$ 1,386,805	\$ 1,449,215	\$ (1,744,963)

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

Level of Unrestricted Net Position
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)



Unrestricted net position represent the resources that are neither invested in capital assets or whose use is constrained to a particular purpose. These net position can be used for any purpose, though they are not necessarily liquid.

Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Business License Taxes	Meals Taxes	Other Local Taxes	Total
2022	\$ 9,681,294	\$ 2,765,851	\$ 585,152	\$ 2,157,701	\$ 2,340,491	\$ 1,170,046	\$ 18,700,535
2021	9,448,108	2,346,936	568,104	1,943,342	2,163,683	1,071,966	17,542,139
2020	9,591,164	2,075,778	566,901	1,908,324	1,960,507	929,801	17,032,475
2019	9,728,127	2,039,498	606,852	1,957,688	1,909,213	1,041,265	17,282,643
2018	8,964,713	1,968,475	656,804	1,984,863	1,804,893	961,884	16,341,632
2017	9,072,495	2,046,701	640,608	1,770,305	1,738,415	925,346	16,193,870
2016	8,949,568	2,033,632	654,989	1,715,637	1,717,249	884,145	15,955,220
2015	8,984,049	1,921,102	678,862	1,607,168	1,665,418	895,763	15,752,362
2014	9,063,889	2,017,806	669,664	1,807,604	1,583,889	838,603	15,981,455
2013	8,815,665	1,886,892	684,046	1,769,645	1,552,032	787,788	15,496,068

CITY OF MARTINSVILLE, VIRGINIA

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General fund					
Nonspendable	\$ 841,646	\$ 993,900	\$ 759,894	\$ 1,123,501	\$ 1,205,350
Committed	1,698,115	2,043,941	2,267,064	1,218,099	1,820,414
Assigned	154,099	25,000	25,000	25,000	-
Unassigned	<u>4,535,327</u>	<u>4,568,620</u>	<u>4,122,660</u>	<u>4,401,718</u>	<u>3,031,355</u>
Total general fund	<u>\$ 7,229,187</u>	<u>7,631,461</u>	<u>\$ 7,174,618</u>	<u>\$ 6,768,318</u>	<u>\$ 6,057,119</u>
All other governmental funds					
Nonspendable	\$ 477,955	\$ -	\$ -	\$ -	\$ -
Restricted for:					
Capital projects	2,274,054	190,981	-	-	-
Committed, reported in:					
Special revenue funds	11,809	395,408	53,123	-	-
Assigned, reported in:					
Capital projects funds	318,876	1,260,911	1,523,314	1,424,363	798,619
Special revenue funds	-	-	-	3,381	109,148
Unassigned, reported in:					
Special revenue funds (deficit)	<u>(592,879)</u>	<u>(23,767)</u>	<u>(53,031)</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 2,489,815</u>	<u>1,823,533</u>	<u>\$ 1,523,406</u>	<u>\$ 1,427,744</u>	<u>\$ 907,767</u>
Total governmental funds	<u>\$ 9,719,002</u>	<u>9,454,994</u>	<u>\$ 8,698,024</u>	<u>\$ 8,196,062</u>	<u>\$ 6,964,886</u>

Table 5

	2018	2019	2020	2021	2022
\$	1,202,606	\$ 1,198,249	\$ 1,293,059	\$ 1,463,423	\$ 1,453,499
	851,339	712,456	729,155	755,367	1,054,965
	-	-	-	-	-
	<u>4,660,378</u>	<u>4,331,449</u>	<u>4,938,739</u>	<u>7,574,286</u>	<u>6,286,060</u>
\$	<u><u>6,714,323</u></u>	<u><u>6,242,154</u></u>	<u><u>6,960,953</u></u>	<u><u>9,793,076</u></u>	<u><u>8,794,524</u></u>
\$	-	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
	-	-	-	-	-
	1,165,244	534,861	1,501,117	1,406,274	1,944,898
	50,595	70,345	90,671	108,674	100,955
	-	-	-	-	-
\$	<u><u>1,215,839</u></u>	<u><u>605,206</u></u>	<u><u>1,591,788</u></u>	<u><u>1,514,948</u></u>	<u><u>2,045,853</u></u>
\$	<u><u>7,930,162</u></u>	<u><u>6,847,360</u></u>	<u><u>8,552,741</u></u>	<u><u>11,308,024</u></u>	<u><u>10,840,377</u></u>

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Fund Balance Summary
Year Ended June 30, 2022
(Modified accrual basis of accounting)

Beginning with the fiscal year 2011, the City implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

	General Fund	City Grants Fund	Capital Reserve Fund	Meals Tax Fund	Total
Nonspendable:					
Inventory	\$ 1,453,499	\$ -	\$ -	\$ -	\$ 1,453,499
Committed to:					
Judicial Administration	4,364	-	-	-	4,364
Public Safety	674,756	-	-	-	674,756
Public Works	321,463	-	-	-	321,463
Community development	54,382	-	-	-	54,382
Assigned to:					
Capital reserve fund	-	-	691,431	-	691,431
Special revenue fund	-	100,955	-	-	100,955
Meals tax fund	-	-	-	1,253,467	1,253,467
Unassigned	6,286,060	-	-	-	6,286,060
Total fund balance	<u>\$ 8,794,524</u>	<u>\$ 100,955</u>	<u>\$ 691,431</u>	<u>\$ 1,253,467</u>	<u>\$ 10,840,377</u>

CITY OF MARTINSVILLE, VIRGINIA

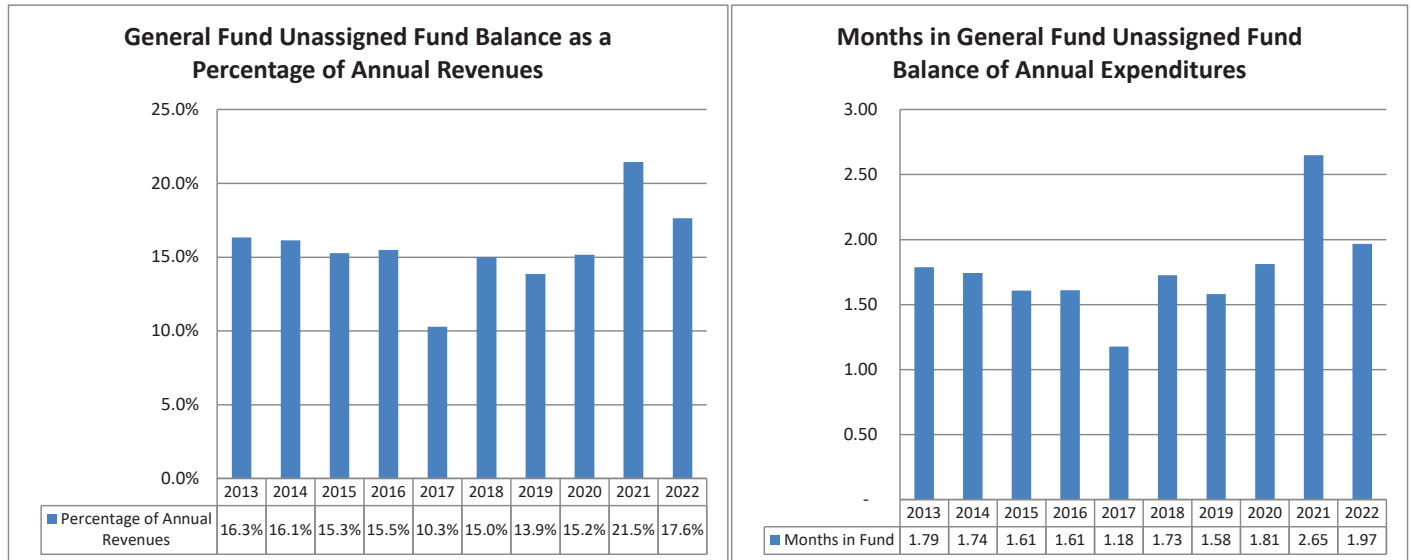
Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	2013	2014	2015	2016
Revenues:				
General property taxes	\$ 8,760,993	\$ 8,683,569	\$ 9,083,158	\$ 8,745,402
Other local taxes	6,680,403	6,917,566	6,768,313	7,005,652
Permits, privilege fees and regulatory licenses	145,833	83,931	94,162	100,068
Fines and forfeitures	164,533	126,049	174,262	109,396
Revenue from use of money and property	684,989	925,705	649,438	958,834
Charges for services	794,328	745,790	960,746	1,803,887
Miscellaneous	263,000	403,029	243,521	249,786
Recovered costs	991,218	1,041,507	1,490,324	1,735,766
Intergovernmental:				
Commonwealth	8,927,696	9,150,812	9,827,014	9,746,076
Federal	4,259,593	5,553,851	2,206,202	939,421
Total revenues	\$ 31,672,586	\$ 33,631,809	\$ 31,497,140	\$ 31,394,288
Expenditures:				
General government administration	\$ 4,745,980	\$ 4,284,558	\$ 4,633,537	\$ 6,277,216
Judicial administration	1,983,255	2,164,763	2,144,310	2,319,579
Public safety	9,579,378	9,845,689	9,712,097	10,320,222
Public works	6,637,533	6,098,946	4,403,469	4,639,584
Health and welfare	792,657	720,419	725,947	812,079
Education	12,477,628	7,341,781	6,587,543	5,957,670
Parks, recreation, and cultural	1,068,617	1,027,633	1,185,463	927,402
Community development	3,817,336	5,035,599	4,932,864	3,447,169
Debt service:				
Principal retirement	1,167,732	2,913,705	1,243,918	1,271,763
Interest and other fiscal charges	717,951	722,325	631,509	603,532
Total expenditures	\$ 42,988,067	\$ 40,155,418	\$ 36,200,657	\$ 36,576,216
Excess (deficiency) of revenues over expenditures	\$ (11,315,481)	\$ (6,523,609)	\$ (4,703,517)	\$ (5,181,928)
Other financing sources (uses):				
Issuance of debt	\$ 460,000	1,752,000	\$ -	\$ -
Capital lease proceeds	-	-	-	-
Insurance recoveries	-	-	-	-
Transfers in	3,062,864	5,357,541	4,440,920	5,191,579
Transfers (out)	(319,173)	(849,940)	(494,373)	(511,611)
Total other financing sources (uses)	\$ 3,203,691	\$ 6,259,601	\$ 3,946,547	\$ 4,679,968
Net changes in fund balances	\$ (8,111,790)	\$ (264,008)	\$ (756,970)	\$ (501,960)
Debt service as a percentage of noncapital expenditures	5.81%	10.02%	5.32%	5.27%

Table 7

	2017	2018	2019	2020	2021	2022
\$	8,877,122	\$ 9,180,279	\$ 9,136,565	\$ 9,335,603	\$ 9,762,106	\$ 9,941,727
	7,121,375	7,376,919	7,554,516	7,441,311	8,094,031	9,019,241
	93,979	56,503	93,318	109,659	82,265	93,850
	140,171	170,759	139,591	99,924	92,397	86,287
	1,144,249	1,225,674	1,332,679	1,206,581	1,198,865	1,207,421
	1,917,701	2,111,112	2,243,877	2,386,857	2,221,781	2,389,019
	258,852	349,751	361,768	551,813	544,762	533,807
	2,108,095	2,173,575	2,108,652	2,312,618	2,312,178	1,980,275
	9,231,666	9,825,527	10,014,169	10,510,007	11,563,521	10,355,671
	1,541,438	1,022,020	966,733	1,598,952	3,834,510	2,776,133
\$	<u>32,434,648</u>	<u>\$ 33,492,119</u>	<u>\$ 33,951,868</u>	<u>\$ 35,553,325</u>	<u>\$ 39,706,416</u>	<u>\$ 38,383,431</u>
\$	4,042,520	\$ 4,019,965	\$ 4,585,789	\$ 5,190,992	\$ 5,221,495	\$ 7,238,190
	2,293,175	2,332,335	2,401,821	2,513,322	2,572,521	2,810,364
	10,131,848	9,992,439	11,170,618	11,375,251	12,261,058	13,116,930
	4,775,364	5,997,499	4,951,335	5,472,305	5,928,325	4,817,861
	874,554	993,510	1,229,160	1,186,193	1,381,590	1,659,407
	6,267,041	6,170,116	6,164,347	5,157,042	4,109,180	4,959,911
	861,036	837,001	852,802	855,004	851,159	1,017,070
	3,293,876	3,199,403	3,240,807	3,064,544	4,920,270	3,486,559
	1,305,581	1,338,158	1,265,724	1,290,239	1,389,689	1,419,207
	570,908	537,956	512,608	505,045	496,826	467,267
\$	<u>34,415,903</u>	<u>\$ 35,418,382</u>	<u>\$ 36,375,011</u>	<u>\$ 36,609,937</u>	<u>\$ 39,132,113</u>	<u>\$ 40,992,766</u>
\$	<u>(1,981,255)</u>	<u>\$ (1,926,263)</u>	<u>\$ (2,423,143)</u>	<u>\$ (1,056,612)</u>	<u>574,303</u>	<u>\$ (2,609,335)</u>
\$	-	\$ -	\$ -	\$ -	\$ -	-
	-	-	-	1,214,500	-	-
	-	-	171,197	-	-	-
	1,845,097	3,479,752	1,935,368	2,639,171	2,852,648	3,439,242
	(1,095,018)	(588,213)	(766,224)	(1,091,676)	(852,648)	(1,297,554)
\$	<u>750,079</u>	<u>\$ 2,891,539</u>	<u>\$ 1,340,341</u>	<u>\$ 2,761,995</u>	<u>\$ 2,000,000</u>	<u>\$ 2,141,688</u>
\$	<u>(1,231,176)</u>	<u>\$ 965,276</u>	<u>\$ (1,082,802)</u>	<u>\$ 1,705,383</u>	<u>\$ 2,574,303</u>	<u>\$ (467,647)</u>
	<u>5.61%</u>	<u>5.43%</u>	<u>5.11%</u>	<u>5.18%</u>	<u>5.03%</u>	<u>4.80%</u>

Level of Unassigned Fund Balance
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)



The level of unassigned 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.

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
2022	\$ 9,941,727	\$ 2,765,851	\$ 585,152	\$ 2,157,701	\$ 2,340,491	\$ 648,446	\$ 1,170,046	\$ 19,609,414
2021	9,762,106	2,346,936	568,104	1,943,342	2,163,683	681,836	1,071,966	18,537,973
2020	9,335,603	2,075,778	566,901	1,908,324	1,960,507	750,186	929,801	17,527,100
2019	9,136,565	2,039,498	606,852	1,957,688	1,909,213	778,932	1,041,265	17,470,013
2018	9,180,279	1,968,475	656,804	1,984,863	1,804,893	833,760	961,884	17,390,958
2017	8,877,122	2,046,701	640,608	1,770,305	1,738,415	859,331	925,346	16,857,828
2016	8,745,402	2,033,632	654,989	1,715,637	1,717,249	880,952	884,145	16,632,006
2015	9,083,158	1,921,102	678,862	1,607,168	1,665,418	911,387	895,763	16,762,858
2014	8,683,569	2,017,806	669,664	1,807,604	1,583,889	912,783	838,603	16,513,918
2013	8,760,993	1,886,892	684,046	1,769,645	1,552,032	935,756	787,788	16,377,152

Local Sales Tax Growth
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



Local sales tax growth is a measure of the state of the local economy by comparing revenue collected in the prior year to the current year.

For the year ended June 30, 2022, the City experienced an increase in sales tax collections of approximately \$418,915 or 20.18%.

Utility Analysis of Unrestricted Net Position
At June 30, 2022

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Net Position at June 30, 2022	\$ 17,165,911	\$ 9,094,158	\$ 5,597,957	\$ 1,155,397	\$ 33,013,423
Less capital assets	(17,884,188)	(9,734,491)	(20,521,120)	(2,009,174)	(50,148,973)
Add current portion of long-term obligations	314,260	313,169	643,159	46,116	1,316,704
Add noncurrent portion of long-term obligations	4,259,144	4,858,249	16,126,998	3,100,718	28,345,109
Less compensated absences	(92,604)	(67,633)	(88,228)	(31,154)	(279,619)
Less net pension liability	(852,636)	(657,214)	(1,168,734)	(314,835)	(2,993,419)
Less net group life insurance OPEB liability	(27,413)	(35,056)	(54,393)	(13,854)	(130,716)
Less net Pay-as-you-Go OPEB liability	(127,180)	(162,108)	(252,604)	(64,448)	(606,340)
Less landfill closure and post-closure costs	-	-	-	(2,345,542)	(2,345,542)
Unrestricted Net Position at June 30, 2022	<u>\$ 2,755,294</u>	<u>\$ 3,609,074</u>	<u>\$ 283,035</u>	<u>\$ (476,776)</u>	<u>\$ 6,170,627</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
2022	\$ 649,822,186	\$ 106,101,631	\$ 7,249,876	\$ 28,548,649	\$ 367,533	\$ 792,089,875
2021	639,698,900	119,086,342	6,727,040	25,767,607	388,462	791,668,351
2020	638,496,000	114,103,654	6,678,102	25,997,604	485,196	785,760,556
2019	631,445,800	111,703,797	6,702,953	24,296,670	571,227	774,720,447
2018	630,238,700	108,990,284	6,764,153	21,839,490	585,532	768,418,159
2017	639,432,100	104,500,889	5,684,864	22,387,747	565,832	772,571,432
2016	637,317,000	96,930,746	8,947,408	24,215,061	475,737	767,885,952
2015	640,608,600	93,920,412	9,236,280	23,076,423	294,246	767,135,961
2014	641,502,458	99,431,367	8,222,283	22,511,294	623,124	772,290,526
2013	668,272,729	94,077,288	7,159,164	22,600,872	399,539	792,509,592

(1) 100% fair market value.

Source: Commissioner of the Revenue

Table 12

Tax Rates				
Real Estate	Personal Property	Machinery and Tools	Public Service R/E	Public Service P/P
\$ 1.03975	\$ 2.30	\$ 1.85	\$ 1.03975	\$ 2.30
1.0621	2.30	1.85	1.0621	2.30
1.0621	2.30	1.85	1.0621	2.30
1.0621	2.30	1.85	1.0621	2.30
1.0621	2.30	1.85	1.0621	2.30
1.0621	2.30	1.85	1.0621	2.30
1.0621	2.30	1.85	1.0621	2.30
1.0621	2.30	1.85	1.0621	2.30
1.06	2.30	1.85	1.06	2.30
1.01816	2.30	1.85	1.01816	2.30

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Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1), (3) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2022	\$ 9,695,951	\$ 9,053,769	93.38%	\$ 567,984	\$ 9,621,753	99.23%	\$ 1,931,199	19.92%
2021	9,984,210	8,701,968	87.16%	696,297	9,398,265	94.13%	1,888,557	18.92%
2020	9,864,021	8,316,022	84.31%	746,057	9,062,079	91.87%	2,241,958	22.73%
2019	9,713,056	8,301,079	85.46%	602,847	8,903,926	91.67%	2,241,958	23.08%
2018	9,615,111	8,846,029	92.00%	587,029	9,433,058	98.11%	1,274,200	13.25%
2017	9,596,296	8,834,417	92.06%	513,318	9,347,735	97.41%	1,381,163	14.39%
2016	9,465,270	8,763,769	92.59%	392,885	9,156,654	96.74%	1,314,580	13.89%
2015	9,424,583	8,873,795	94.16%	547,335	9,421,130	99.96%	1,084,664	11.51%
2014	9,329,806	8,683,981	93.08%	426,107	9,110,088	97.64%	1,208,189	12.95%
2013	9,515,252	8,730,614	91.75%	463,880	9,194,494	96.63%	1,027,354	10.80%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

CITY OF MARTINSVILLE, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Capital Financing Activities
	General Obligation Bonds	General Obligation Notes	State Literary Loans	VP SA Bonds		
2022	\$ 474,500	\$ -	\$ -	\$ 6,723,111	\$	747,521
2021	561,900	-	-	7,816,070		986,369
2020	647,000	-	375,000	8,517,528		1,214,500
2019	1,033,800	-	750,000	9,045,967		-
2018	1,412,400	-	1,125,000	9,558,091		-
2017	1,786,800	-	1,500,000	10,051,894		94,955
2016	2,153,100	-	2,125,000	10,272,721		188,409
2015	2,509,400	-	2,750,000	10,471,207		280,386
2014	2,863,700	340,000	3,375,000	10,645,303		370,909
2013	3,161,200	340,000	4,000,000	10,795,417		460,000

n/a - not available at publication

Table 14

Business-type Activities				Net Bonded Debt per Capita	
General Obligation Bonds	Revenue Bonds	Capital Financing Activities	Total Primary Government		
\$ 377,000	\$ 17,658,175	\$ 5,271,000	\$ 31,251,307	\$	1,871
418,000	17,366,870	5,775,000	32,924,209		2,084
557,000	16,474,870	6,220,000	34,005,898		2,117
712,000	16,805,680	6,636,000	34,983,447		2,112
863,000	12,810,146	7,044,000	32,812,637		1,885
1,011,000	7,066,376	7,425,000	28,936,025		1,630
1,155,000	3,242,399	7,425,000	26,561,629		1,947
1,444,900	-	-	17,455,893		1,288
1,880,000	-	-	19,474,912		1,400
2,279,700	-	-	21,036,317		1,543

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2022	13,485 \$	792,089,875 \$	25,232,786	3.19% \$	1,871
2021	12,554	791,668,351	26,162,840	3.30%	2,084
2020	12,554	785,760,556	26,571,398	3.38%	2,117
2019	13,422	774,720,447	28,347,447	3.66%	2,112
2018	13,670	768,418,159	25,768,637	3.35%	1,885
2017	13,142	772,571,432	21,416,070	2.77%	1,630
2016	13,544	767,885,952	18,948,220	2.47%	1,389
2015	13,552	767,135,961	17,175,507	2.24%	1,267
2014	13,583	772,290,526	19,104,003	2.47%	1,374
2013	13,630	792,509,592	20,576,317	2.60%	1,510

Sources:

(1) Estimates - United States Census Bureau

(2) From Table 12

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

n/a - not available at publication

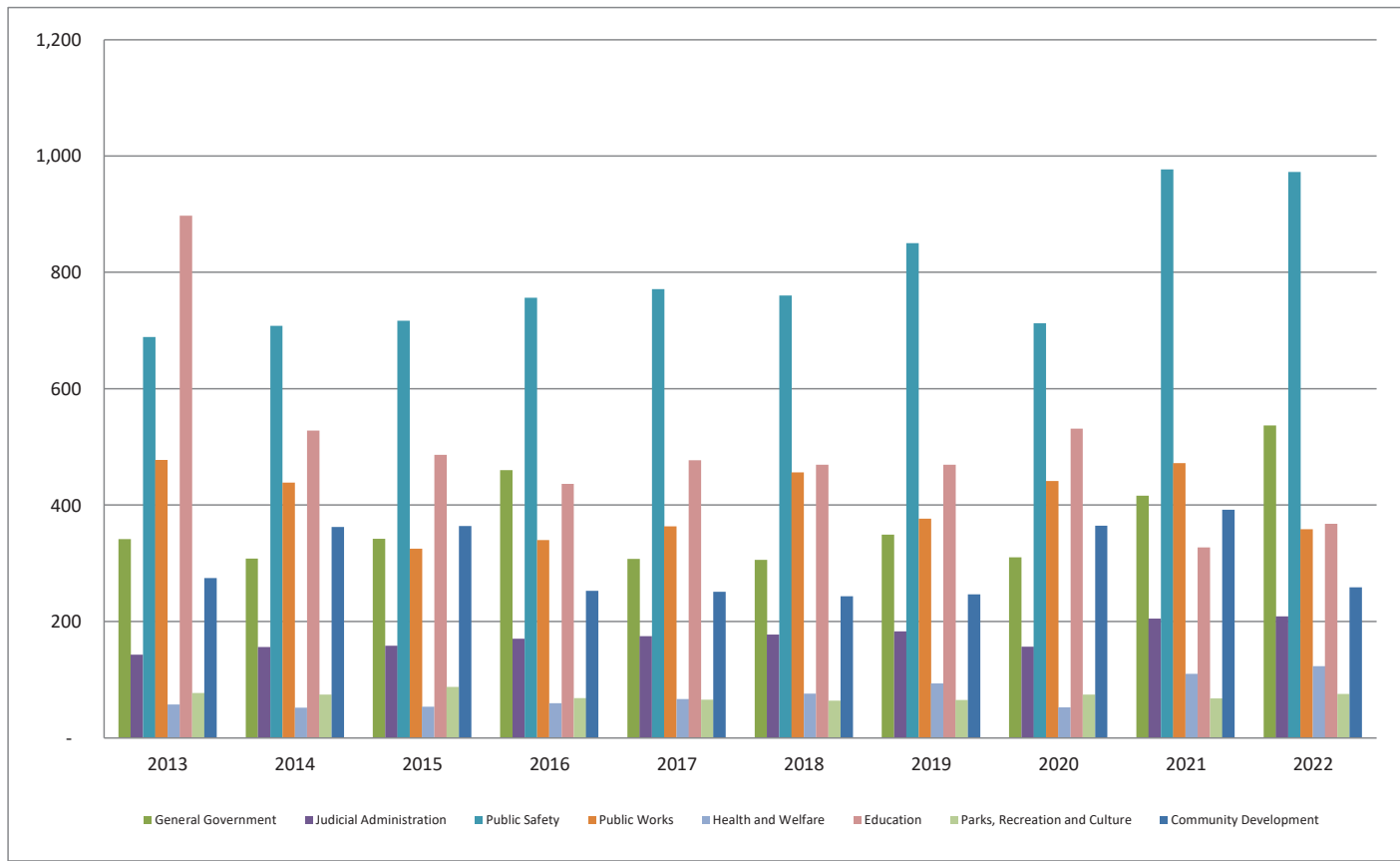
Computation of Direct and Overlapping Bonded Debt
At June 30, 2022

Direct:(1)

City of Martinsville	\$	25,232,786	100%	\$	25,232,786
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The City of Martinsville has no overlapping debt.

Expenditures Per Capita Ratio
Last Ten Fiscal Years



Note:
Information included is governmental expenditures - Table 7
Population - Table 18

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	City Per Capita Income (2)	School Enrollment (3)	Unemploy- ment Rate (4)	Personal Income In Thousands (5)
2022	13,485 \$	46,758	1,881	4.90% \$	n/a
2021	13,485	43,380	1,876	8.30%	n/a
2020	12,554	22,669	1,820	14.30%	2,718,356
2019	13,422	32,892	1,830	4.60%	2,558,838
2018	13,670	33,545	1,893	5.10%	2,449,831
2017	13,142	37,827	2,019	7.30%	2,434,875
2016	13,544	36,598	2,056	7.00%	2,368,764
2015	13,552	35,976	2,300	9.58%	2,291,342
2014	13,583	33,439	2,125	10.30%	2,199,995
2013	13,630	32,546	2,137	13.90%	2,160,176

n/a - not available at publication

Sources:

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

CITY OF MARTINSVILLE, VIRGINIA

Table 19

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

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government	23	24	24	26	22	21	20	20	21	21	21
Public safety											
Police department	53	54	52	50	56	50	51	51	51	51	47
Fire department	29	29	29	29	27	27	27	26	26	26	28
Public works											
General maintenance	42	39	42	40	38	35	37	37	37	37	38
Landfill Operation	0	0	0	0	0	0	0	0	0	0	0
Refuse Collection	3	3	3	3	3	5	5	5	6	6	7
Engineering	2	2	2	3	3	3	1	2	2	2	2
Culture and recreation											
Parks and recreation	7	7	7	7	6	5	6	5	5	5	5
Community development											
Planning	3	3	3	4	2	3	3	1	2	2	2
Totals	162	161	162	162	157	149	150	147	150	150	150

Source: Individual city departments

CITY OF MARTINSVILLE, VIRGINIA

Table 20

Operating Indicators by Function
Last Eleven Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police Protection											
Number of stations	1	1	1	1	1	1	1	1	1	1	1
Number of police personnel and officers	55	55	52	51	53	50	51	51	51	51	47
Number of law violations:											
Physical arrests	1,677	1,580	1,305	1,559	1,394	1,694	2,932	1,994	1,645	1,383	1,234
Traffic violations	3,389	2,430	2,979	3,314	1,772	2,877	3,314	2,786	2,663	2,539	2,324
Fire Protection											
Number of stations	2	2	2	2	2	2	2	2	2	2	2
Number of fire personnel and officers	46	45	46	46	42	41	42	40	43	41	42
Number of calls answered	3,171	2,935	2,870	3,093	3,041	3,024	3,053	3,602	2,965	3,504	4,214
Number of inspections conducted	1,401	2,006	1,101	790	530	659	768	914	826	838	1,342
Streets											
Streets (miles)	100	100	100	100	100	100	100	100	100	100	100
Streetlights	3,300	3,300	3,300	2,721	2,871	2,695	3,069	3,069	3,069	3,072	3,072
Recreation & Culture											
Number of parks and recreation facilities	13	13	13	13	13	13	13	13	13	13	13
Number of libraries	1	1	1	1	1	1	1	1	1	1	1
Number of community centers	1	1	1	1	1	1	1	1	1	1	1
Water											
Service Connections (Active)	7,300	7,300	7,300	7,300	7,300	7,250	7,250	7,250	7,069	7,069	8,098
Miles of water mains	120	120	120	120	120	120	120	120	120	120	120
Number of fire hydrants	548	555	555	555	555	555	555	555	555	555	555
Daily average consumption in gallons	2.0 MGD	1.8 MGD	1.8 MGD	1.8 MGD	1.8 MGD	1.8 MGD	1.8 MGD	1.78 MGD	1.95 MGD	1.65 MGD	1.70 MGD
Maximum daily capacity of plant in gallons	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD
Sewer											
Service Connections (Active)	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,535	6,631	7,494
Miles of sanitary sewers	140	140	140	140	140	140	140	140	140	140	140
Miles of storm sewers	1	1	1	1	1	1	1	1	1	1	1
Number of treatment plants	1	1	1	1	1	1	1	1	1	1	1
Daily average treatment in gallons	4.5 MGD	4.5 MGD	4.5 MGD	4.5 MGD	4.5 MGD	4.5 MGD	4.5 MGD	5.8 MGD	5.4 MGD	5.5 MGD	4.49 MGD
Maximum daily capacity of plant in gallons	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD
Electric Distribution Systems											
Miles of service	100	100	100	100	100	100	100	100	100	100	100
Number of distribution systems	1	1	1	1	1	1	1	1	1	1	1
Facilities and services not included in the primary government											
Number of elementary schools	3	3	3	3	3	3	3	3	3	3	3
Number of middle schools	2	2	2	2	2	2	2	2	2	2	2
Number of secondary schools	1	1	1	1	1	1	1	1	1	1	1
Facilities and services not included in the reporting entity											
Hospitals:											
Number of hospitals	1	1	1	1	1	1	1	1	1	1	1
Number of patient beds	237	237	220	220	220	220	220	220	220	220	220

Source: Individual city departments

Data for fiscal years prior to 2006 is not available for publication.

FY16 down on Volunteers fire personnel

CITY OF MARTINSVILLE, VIRGINIA

Table 21

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government										
Administration buildings	6	6	6	6	6	6	6	6	6	6
Vehicles	4	4	4	4	3	3	4	2	2	4
Public safety										
Police department:										
Patrol units	19	21	23	22	26	27	29	27	30	26
Other vehicles	13	10	13	16	15	17	18	19	16	17
Sheriffs department:										
Patrol units	11	12	12	13	13	13	16	15	15	16
Other vehicles	8	10	10	10	12	12	12	10	10	10
Fire department:										
Vehicles	12	13	12	12	14	14	16	14	14	15
Building inspections:										
Vehicles	2	2	1	1	1	1	1	2	2	2
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	66	64	60	59	59	60	57	60	62	66
Refuse:										
Vehicles	10	10	10	10	9	10	12	14	13	13
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	12	12	13	12	12	12	12	11	11	10
Playing Fields	9	9	9	9	9	9	9	9	9	9
Tennis courts	3	3	3	3	3	3	3	3	3	3
Community development										
Planning:										
Vehicles	2	1	1	1	1	1	1	2	2	2
Component Unit - School Board										
Education:										
Schools	5	5	5	5	5	5	5	5	5	5
School buses	28	28	30	30	31	33	32	31	31	33
Other vehicles	27	23	23	29	25	26	29	27	23	25

Source: Individual city departments

Police Dept other vehicles FY16 includes 8 rentals
Police Dept other vehicles FY17 includes 8 rentals
Police Dept other vehicles FY18 includes 9 rentals
Police Dept other vehicles FY19 includes 10 rentals
Police Dept other vehicles FY20 includes 11 rentals
Police Dept other vehicles FY21 includes 9 rentals
Police Dept other vehicles FY22 includes 8 rentals

- Compliance Section -

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia as of and for the year ended June 30, 2022, 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 December 9, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Martinsville, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 9, 2022



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Martinsville, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Martinsville, Virginia's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Martinsville, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Martinsville, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Martinsville, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Martinsville, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Martinsville, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Martinsville, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Martinsville, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Martinsville, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 or significant deficiencies may exist that have been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 9, 2022

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Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
For the Year Ended June 30, 2022

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
PRIMARY GOVERNMENT:				
<u>DEPARTMENT OF TRANSPORTATION:</u>				
<u>Pass through payments:</u>				
Highway Safety Cluster:				
Department of Motor Vehicles:				
State and Community Highway Safety	20.600	FSC-2021-51026-9103	\$ 2,776	
National Priority Safety Programs	20.616	M6OT-2021-51006-9099	1,584	
Total Highway Safety Cluster			4,360	-
Total Department of Transportation			\$ 4,360	\$ -
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
<u>Pass through payments:</u>				
Department of Social Services:				
Temporary Assistance for Needy Families (TANF)	93.558	Unknown	\$ 134,508	\$ 134,508
Social Services Block Grant	93.667	Unknown	23,584	-
Total Department of Health and Human Services			\$ 158,092	\$ 134,508
<u>DEPARTMENT OF HOMELAND SECURITY:</u>				
<u>Pass through payments:</u>				
Department of Emergency Management:				
Emergency Management Performance Grants	97.042	EMP-2019-EP-00007	\$ 32,304	\$ -
Homeland Security Grant Program	97.067	Unknown	36,907	-
Total Department of Homeland Security			\$ 69,211	\$ -
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
<u>Pass through payments:</u>				
Department of Housing and Community Development:				
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	Unknown	\$ 21,100	\$ -
<u>DEPARTMENT OF LABOR:</u>				
<u>Pass through payments:</u>				
Department for Aging and Rehabilitative Services:				
Senior Community Service Employment Program	17.235	Unknown	\$ 23,584	\$ -
<u>DEPARTMENT OF JUSTICE:</u>				
<u>Direct payments:</u>				
Bullet Proof Vest Partnership Program	16.607	N/A	\$ 9,160	\$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	12,117	-
Equitable Sharing Program	16.922	N/A	7,416	-
<u>Pass through payments:</u>				
Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	Unknown	77,912	-
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	20VDBX0141	40,123	-
Total Department of Justice			\$ 146,728	\$ -
<u>DEPARTMENT OF TREASURY:</u>				
<u>Pass through payments:</u>				
Department of Accounts:				
COVID-19 - Coronavirus Relief Fund	21.019	Unknown	\$ 32,338	\$ -
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	1,977,686	-
Total Department of Treasury			\$ 2,010,024	\$ -
Total Primary Government			\$ 2,433,099	\$ 134,508

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
For the Year Ended June 30, 2022 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures	Provided to Subrecipients
COMPONENT UNIT-SCHOOL BOARD:					
<u>DEPARTMENT OF AGRICULTURE:</u>					
<u>Pass through payments:</u>					
Child Nutrition Cluster:					
Virginia Department of Agriculture and Consumer Services:					
Food Distribution - National School Lunch Program	10.555	APE40254	\$ 140,045		
Virginia Department of Education:					
COVID-19 - National School Lunch Program	10.555	APE40264	74,813		
National School Lunch Program	10.555	APE40254	1,026,740	\$ 1,241,598	
School Breakfast Program	10.553	APE40253		399,521	
Summer Food Service Program for Children	10.559	APE60302 & APE60303		22,820	
Total Child Nutrition Cluster				\$ 1,663,939	\$ -
Virginia Department of Education:					
Child and Adult Care Food Program	10.558	APE70027	44,905		
COVID-19 - Child and Adult Care Food Program	10.558	APE70035	6,245	51,150	-
COVID-19 - Pandemic EBT Administrative Costs	10.649	DOE86556		3,063	-
Total Department of Agriculture				\$ 1,718,152	\$ -
<u>DEPARTMENT OF EDUCATION:</u>					
<u>Direct payments:</u>					
Department of Education:					
Adult Education - National Leadership Activities	84.191	N/A		\$ 40,259	\$ -
<u>Pass through payments:</u>					
Department of Education:					
Title I Grants to Local Educational Agencies	84.010	APE42901		1,149,434	-
Special Education Cluster (IDEA):					
Special Education - Grants to States	84.027	APE43071	\$ 400,288		
Special Education - Preschool Grants	84.173	APE62521	1,988		
Total Special Education Cluster				402,276	-
Career and Technical Education - Basic Grants to States	84.048	APE61095		61,344	-
English Language Acquisition State Grants	84.365	APE43405		4,585	-
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	APE61480		125,796	-
Student Support and Academic Enrichment Program	84.424	APE60281		23,248	-
COVID-19 - Governor's Emergency Education Relief Fund	84.425C	APE70037	\$ 42,460		
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	APE60173 & APE60177	2,485,110	2,527,570	-
Total Department of Education				\$ 4,334,512	\$ -
Total Component Unit School Board				\$ 6,052,664	\$ -
Total Expenditures of Federal Awards				\$ 8,485,763	\$ 134,508

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, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Martinsville, Virginia under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the reporting requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Martinsville, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Martinsville, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 4 - 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	\$ 2,382,313
Special Revenue Fund:	
City Grants Fund	21,100
Capital Projects Funds:	
Meals Tax Fund	372,720
Water Fund	3,942
Sewer Fund	3,348
Electric Fund	25,048
Total primary government	\$ 2,808,471
Component Unit School Board:	
School Operating Fund	\$ 2,567,829
School Grants Fund	1,766,683
School Cafeteria Fund	1,718,152
Total component unit school board	\$ 6,052,664
Reconcile federal revenues to expenditures:	
Less: Joint Law Enforcement Operation Funds (JLEO formerly CFDA 16.111)	(2,652)
Less: Federal tax credit subsidy on QSCB bond	(372,720)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 8,485,763

Note 5 - De Minimis Cost Rate

The City did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 6 - Loan Balance

The City has no loans or loan guarantees which are subject to reporting requirements for the current year.

CITY OF MARTINSVILLE, VIRGINIA

Schedule of Findings and Questioned Costs For The Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

 Material weakness(es) identified? No

 Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

 Material weakness(es) identified? No

 Significant deficiency(ies) identified? No

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

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR section 200.516(a)? No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Fund
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A
and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings

There are no prior year findings.