

Martinsville, Virginia
A CITY WITHOUT LIMITS



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2021

- Introductory Section -

CITY OF MARTINSVILLE, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

PREPARED BY:

Finance Department

CITY OF MARTINSVILLE, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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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

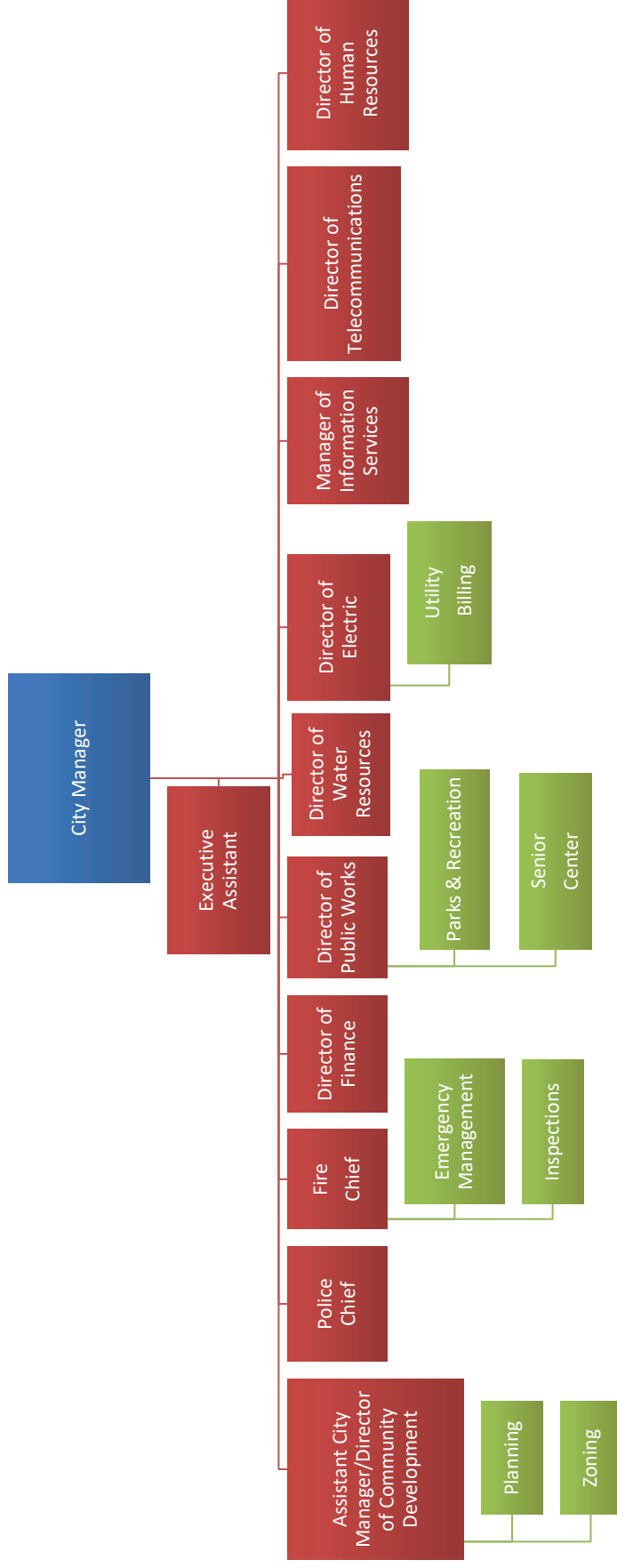
Emily Parker

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 -



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2021, the City adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 20 to the financial statements, in 2021, the City restated beginning balances to reflect the requirements of GASB Statement No. 84. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 15-26, 123, and 124-138 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Martinsville, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Matters: (Continued)

Supplementary and Other Information: (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2021, 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 8, 2021

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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, 2021. We encourage you to read this discussion and analysis in conjunction with the accompanying management letter on internal controls, the basic financial statements and the notes to the financial statements.

Financial Highlights

Government-wide Financial Statements

- In 2021, the City restated beginning balances to reflect the requirements of GASB Statement No. 84. The restated amounts are utilized for purposes of discussion and analysis herein.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$35,847,906 (total net position).
- The Governmental activities net position was \$865,288 of the City's total, a decrease of \$256,614 from net position of \$1,121,902 at June 30, 2020.
- Net position of the City's various business-type activities totaled \$34,982,618. This is an increase of \$1,705,829 or 5.13% compared to net position of \$33,276,789 at June 30, 2020.

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses by \$2,574,303 (Exhibit 4) after making direct contributions totaling \$4,089,345 to the School Board. Additionally, \$1,525,122 was expended from the Meals Tax Fund to retire School related debt. A total of \$5,614,467 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 \$11,308,024, which is an increase of \$2,574,303 in comparison with the prior fiscal year.
- At the close of the current fiscal year, the unassigned fund balance for the General Fund was \$7,574,286 or 22.08% of total general fund expenditures.
- The combined long-term Governmental activities obligations increased by \$3,073,730 or approximately 8.89% during the current fiscal year. This is primarily due to an increase in the actuarially determined net pension liability.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

Government-wide Financial Analysis

As stated earlier in this discussion, net position may serve as a useful indicator of a City's financial position over time. For the City in FY2021, (1) assets and deferred outflows of resources exceeded (2) liabilities and deferred inflows of resources by \$35,847,906 at the close of the fiscal year as presented in the Table below. This was an increase of \$1,449,215 or 4.22% more than the FY2020 closing amount of \$34,398,691.

City of Martinsville, Virginia
Schedule of Assets, Liabilities and Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 23,967,404	\$ 14,633,555	\$ 16,204,387	\$ 17,054,632	\$ 40,171,791	\$ 31,688,187
Capital assets	18,740,180	20,321,392	50,313,804	48,548,772	69,053,984	68,870,164
Total assets	\$ 42,707,584	\$ 34,954,947	\$ 66,518,191	\$ 65,603,404	\$ 109,225,775	\$ 100,558,351
Deferred outflows of resources	6,029,466	4,638,856	1,275,186	976,998	7,304,652	5,615,854
Total assets and deferred outflows of resources	<u>\$ 48,737,050</u>	<u>\$ 39,593,803</u>	<u>\$ 67,793,377</u>	<u>\$ 66,580,402</u>	<u>\$ 116,530,427</u>	<u>\$ 106,174,205</u>
Long-term liabilities outstanding	\$ 36,317,401	\$ 33,428,990	\$ 30,548,267	\$ 29,286,882	\$ 66,865,668	\$ 62,715,872
Current liabilities	11,370,181	4,544,748	2,205,164	3,783,123	13,575,345	8,327,871
Total liabilities	<u>\$ 47,687,582</u>	<u>\$ 37,973,738</u>	<u>\$ 32,753,431</u>	<u>\$ 33,070,005</u>	<u>\$ 80,441,013</u>	<u>\$ 71,043,743</u>
Deferred inflows of resources	\$ 184,180	\$ 679,146	\$ 57,328	\$ 233,608	\$ 241,508	\$ 912,754
Net position:						
Net investment in capital assets	\$ 9,375,841	\$ 9,567,363	\$ 26,753,935	\$ 25,296,901	\$ 36,129,776	\$ 34,864,264
Unrestricted	(8,510,553)	(8,626,444)	8,228,683	7,979,888	(281,870)	(646,556)
Total net position	<u>\$ 865,288</u>	<u>\$ 940,919</u>	<u>\$ 34,982,618</u>	<u>\$ 33,276,789</u>	<u>\$ 35,847,906</u>	<u>\$ 34,217,708</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 48,737,050</u>	<u>\$ 39,593,803</u>	<u>\$ 67,793,377</u>	<u>\$ 66,580,402</u>	<u>\$ 116,530,427</u>	<u>\$ 106,174,205</u>

At the end of FY2021, the City's net investment in capital assets is \$36,129,776, which exceeds total net position of \$35,847,906. These capital assets are used to deliver services to City residents and business; and accordingly, these assets are not available for future spending. Although the important and needed investment in capital assets is reported as net investment in capital assets, it should be noted that the resources needed to repay such debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current Fiscal Year, the City's Governmental Activities net investment in capital assets is \$9,375,841.

Restricted Assets represent resources subject to external restrictions on how they may be used. In FY2021, the City held cash restricted for Electric and Water customer deposits totaling \$217,866.

Government-wide Financial Analysis (Continued)

Governmental Activities - Governmental activities decreased Martinsville City's net position by \$256,614. The key elements of this increase are found in exhibit 2.

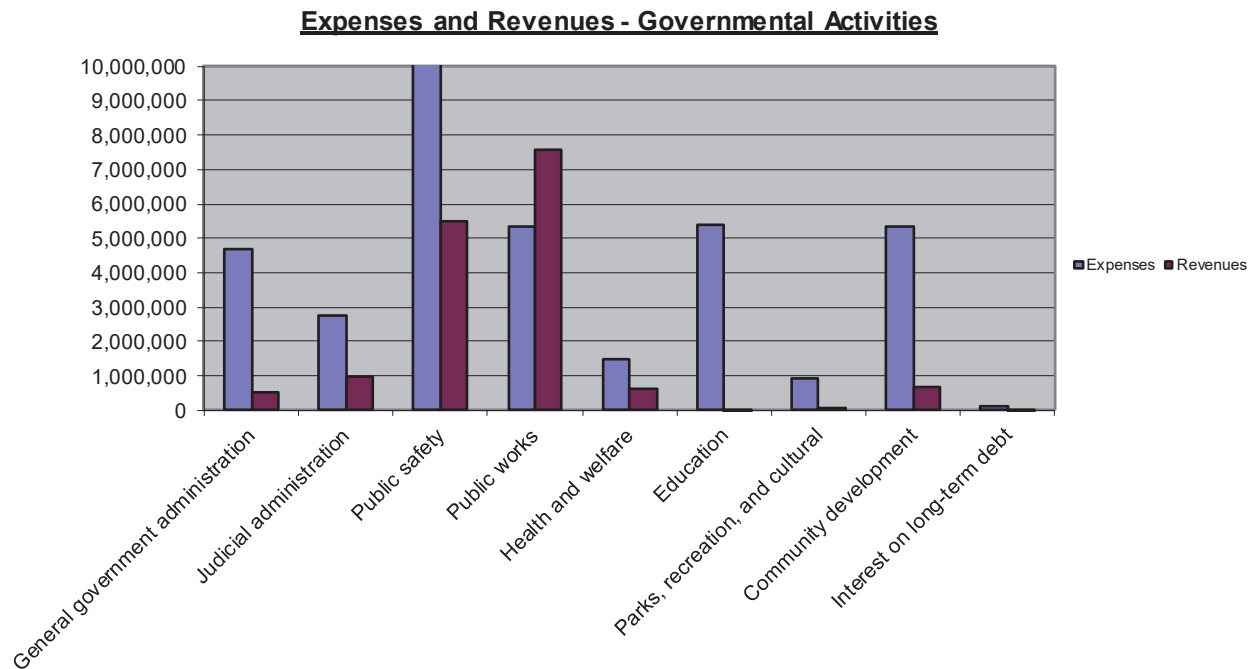
**City of Martinsville, Virginia
Changes in Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2021 and 2020**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 2,396,443	\$ 2,596,441	\$ 29,108,722	\$ 29,927,085	\$ 31,505,165	\$ 32,523,526
Operating grants and contributions	11,366,987	8,652,824	-	-	11,366,987	8,652,824
Capital grants and contributions	2,221,585	1,199,002	522,011	-	2,743,596	1,199,002
General revenues:						
General property taxes	9,448,108	9,591,164	-	-	9,448,108	9,591,164
Other local taxes	8,094,031	7,441,311	-	-	8,094,031	7,441,311
Commonwealth non-categorical aid	1,436,736	1,883,750	-	-	1,436,736	1,883,750
Other general revenues	1,743,627	1,747,533	668,189	27,638	2,411,816	1,775,171
Total revenues	<u>\$ 36,707,517</u>	<u>\$ 33,112,025</u>	<u>\$ 30,298,922</u>	<u>\$ 29,954,723</u>	<u>\$ 67,006,439</u>	<u>\$ 63,066,748</u>
Expenses:						
General government administration	\$ 4,682,408	\$ 4,618,016	\$ -	\$ -	\$ 4,682,408	\$ 4,618,016
Judicial administration	2,762,578	2,641,457	-	-	2,762,578	2,641,457
Public safety	12,944,151	11,826,946	-	-	12,944,151	11,826,946
Public works	5,353,609	4,354,892	-	-	5,353,609	4,354,892
Health and welfare	1,469,097	1,227,588	-	-	1,469,097	1,227,588
Education	5,381,040	6,282,794	-	-	5,381,040	6,282,794
Parks, recreation, and cultural	935,267	955,956	-	-	935,267	955,956
Community development	5,332,000	3,282,279	-	-	5,332,000	3,282,279
Interest on long-term debt	103,981	133,477	-	-	103,981	133,477
Electric	-	-	17,591,291	17,444,975	17,591,291	17,444,975
Water	-	-	2,647,895	2,359,706	2,647,895	2,359,706
Sewer	-	-	4,469,997	4,592,474	4,469,997	4,592,474
Refuse collection/landfill	-	-	1,883,910	1,959,383	1,883,910	1,959,383
Total expenses	<u>\$ 38,964,131</u>	<u>\$ 35,323,405</u>	<u>\$ 26,593,093</u>	<u>\$ 26,356,538</u>	<u>\$ 65,557,224</u>	<u>\$ 61,679,943</u>
Change in net position before transfers	\$ (2,256,614)	\$ (2,211,380)	\$ 3,705,829	\$ 3,598,185	\$ 1,449,215	\$ 1,386,805
Transfers	2,000,000	1,547,495	(2,000,000)	(1,547,495)	-	-
Change in net position	<u>\$ (256,614)</u>	<u>\$ (663,885)</u>	<u>\$ 1,705,829</u>	<u>\$ 2,050,690</u>	<u>\$ 1,449,215</u>	<u>\$ 1,386,805</u>
Net position - beginning, as restated	1,121,902	1,604,804	33,276,789	31,226,099	34,398,691	32,830,903
Net position - ending	<u>\$ 865,288</u>	<u>\$ 940,919</u>	<u>\$ 34,982,618</u>	<u>\$ 33,276,789</u>	<u>\$ 35,847,906</u>	<u>\$ 34,217,708</u>

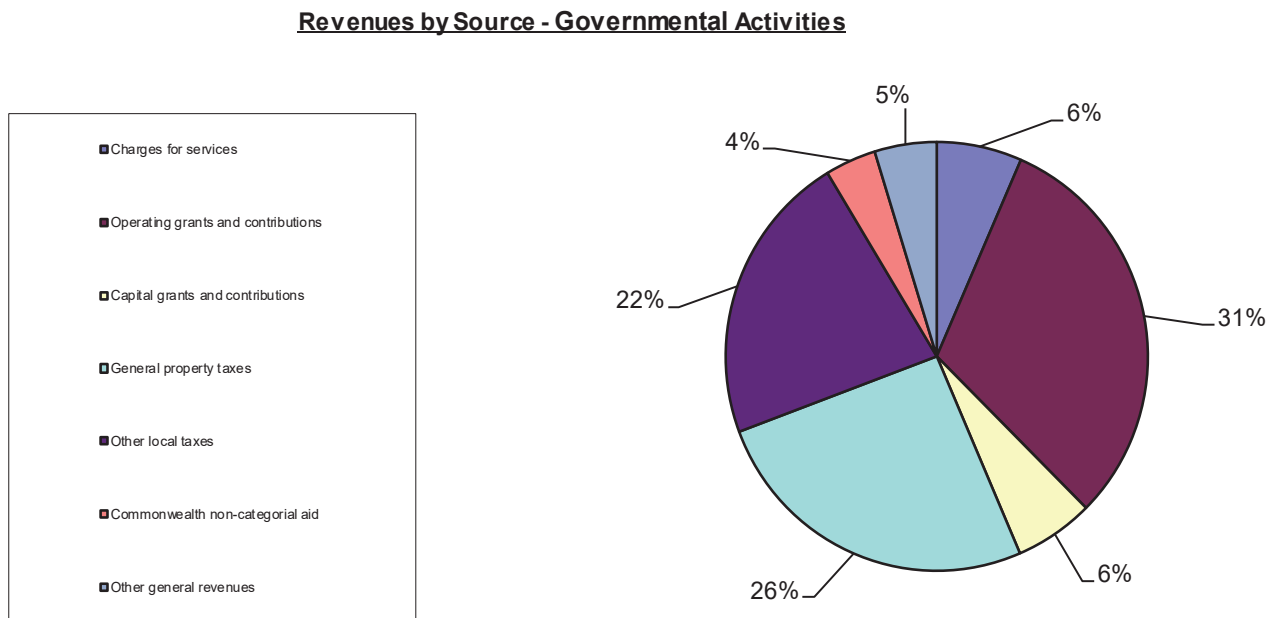
Revenues in governmental activities totaled \$36,707,517 with operating grants and contributions (30.97%), general property taxes (25.74%), and other local taxes (22.05%) comprising 78.76% of the City's revenues. Expenses for public safety (33.22%), education (13.81%), public works (13.74%), community development (13.68%), and general government administration (12.02%), account for 86.47% of total governmental expenses of \$38,964,131.

Government-wide Financial Analysis (Continued)

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



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



Business-type Activities increased the City's net position by \$1,705,829 after accounting for \$2,000,000 in transfers to the General Fund. Transfers out of business-type activities increased by \$452,505 compared to the prior fiscal year.

Financial Analysis of the City's Funds

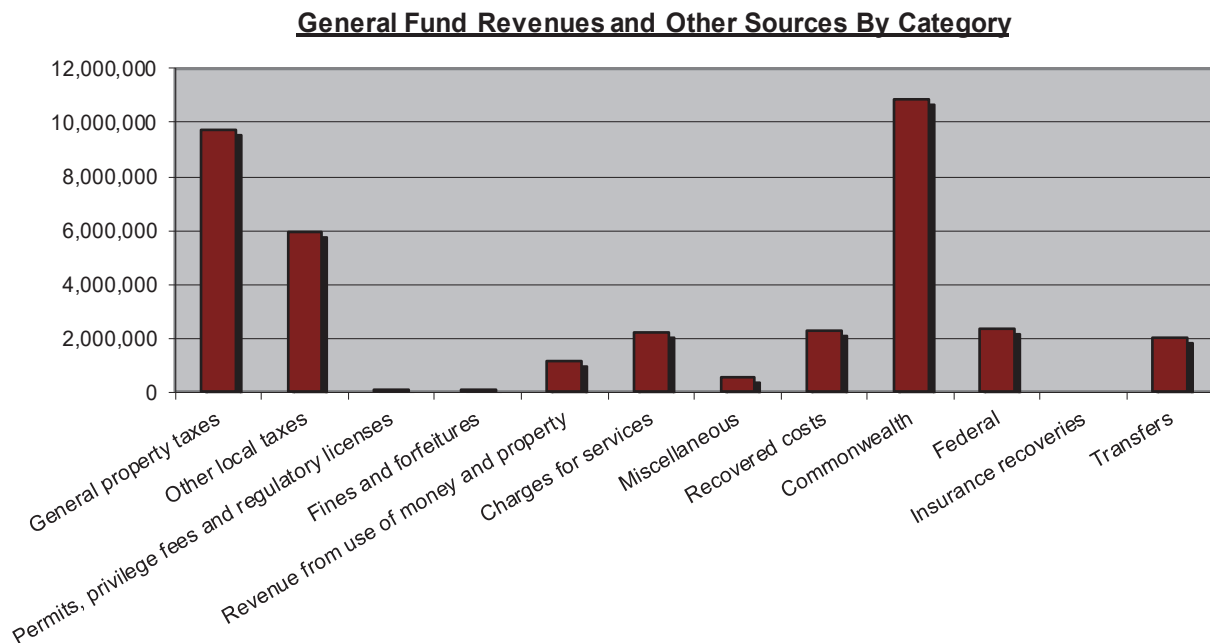
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 \$11,308,024 an increase of \$2,574,303 when compared to the prior year. \$7,574,286, or 66.98%, of the combined governmental fund balance is unassigned. The remaining \$3,733,738, or 33.02%, 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, 2021 of \$9,793,076. This is an increase from the prior year of \$2,651,140. The General Fund revenues exceeded expenditures in the current year by \$1,003,330; the expenditures exceeded revenues in FY20 by \$136,293. The transfer amounts into the General Fund of \$2,000,000 increased by \$726,877 compared to FY20. During FY21, transfers from the Proprietary Funds were kept to a minimum to allow those funds to accrue reserves. There were transfers out of the General Fund totaling \$352,190. \$7,574,286, representing 77.34% of the total fund balance is unassigned, an increase of \$2,635,547, compared to \$4,938,739 of unassigned fund balance from June 30, 2020. 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 22.08% of total General Fund expenditures, while total fund balance is 28.55% of that same amount.

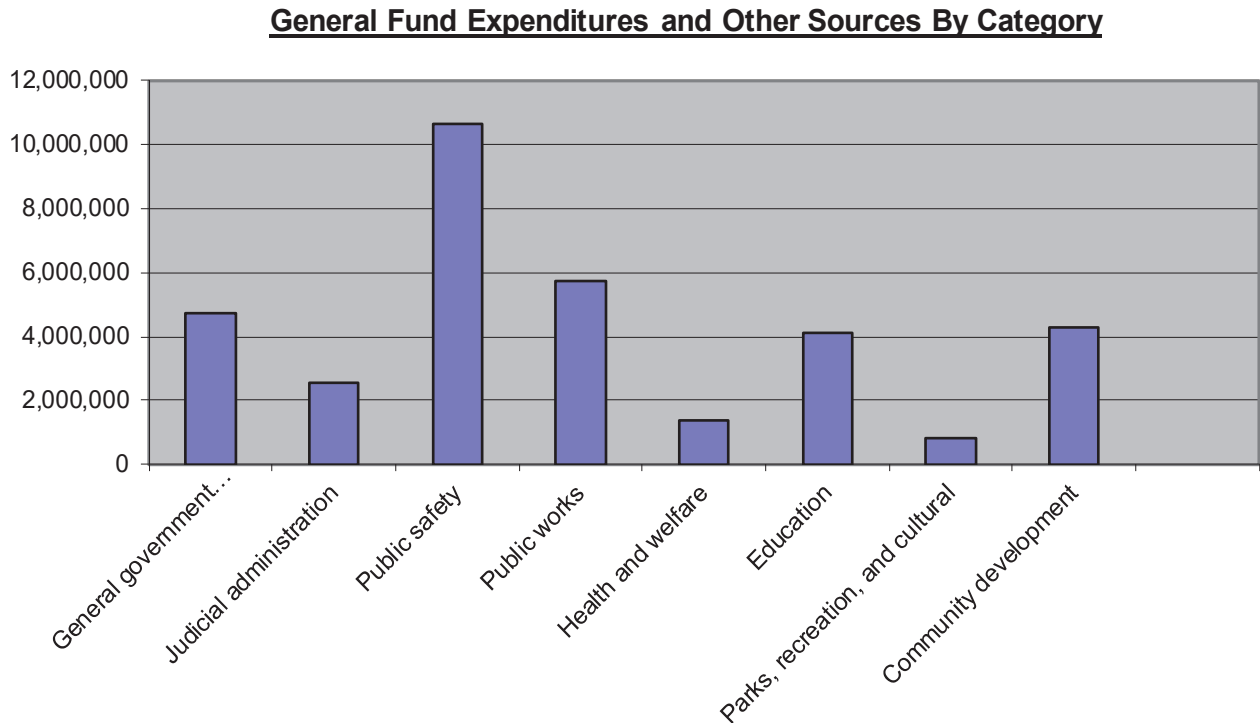
General Fund Revenues and Other Sources by Category

The following graph depicts General Fund revenues and other sources by categories. Total revenues and other sources are \$37,305,550, including transfers into the fund of \$2,000,000.



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 \$34,302,220.



Proprietary funds – reported combined ending net position of \$34,982,618, an increase of \$1,705,829 in comparison with the amount reported on June 30, 2020. The Electric Fund increased \$1,820,021; the Refuse Fund decreased \$1,806,495; the Water Fund increased \$1,402,290; and the Sewer Fund increased \$290,013.

The Enterprise Funds contributed \$2,000,000 in the support of other City operations. Transfers were made to the General Fund in FY2021.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were as follows. Revenues were increased by \$2,676,380 or 8.72%, while expenditures increased by \$3,413,010 or 9.94%.

The Revenue increases (decreases) were as follows:

- \$26,664 in Revenue from use of money and property
- \$5,250 in Miscellaneous
- \$125,116 in Recovered Costs
- \$1,155,562 in Intergovernmental revenues from the Commonwealth
- \$1,363,788 in Intergovernmental revenues from the Federal Government

General Fund Budgetary Highlights (Continued)

The Expenditure amendments were as follows:

- \$10,000 in General government administration
- \$69,106 in Judicial administration
- \$912,124 in Public Safety
- \$1,308,463 in Public Works
- \$7,134 in Parks, Recreation, and Cultural
- \$1,106,183 in Community development

During the year, actual revenues were greater than budgeted by \$1,929,677 or 5.78%; actual expenditures were less than the budget by \$3,430,369 or 9.09%. The result was a positive variance of \$5,360,046 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, 2021, is \$69,053,984 (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 FY2021 were: public works equipment, patrol cars, trucks, fire truck, and continuing facility renovations.

City of Martinsville, Virginia's Capital Assets June 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 4,379,094	\$ 4,379,094	\$ 683,624	\$ 683,624	\$ 5,062,718	\$ 5,062,718
Buildings and improvements	15,747,925	16,824,383	6,779,238	6,779,238	22,527,163	23,603,621
Infrastructure	34,731,414	34,731,414	91,158,664	90,053,323	125,890,078	124,784,737
Equipment	12,110,125	11,665,091	9,817,545	9,742,284	21,927,670	21,407,375
Total	\$ 66,968,558	\$ 67,599,982	\$ 110,894,841	\$ 107,258,469	\$ 177,863,399	\$ 174,858,451
Less: accumulated depreciation	48,228,378	47,278,590	60,581,037	58,709,697	108,809,415	105,988,287
Net capital assets	<u>\$ 18,740,180</u>	<u>\$ 20,321,392</u>	<u>\$ 50,313,804</u>	<u>\$ 48,548,772</u>	<u>\$ 69,053,984</u>	<u>\$ 68,870,164</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 FY2021, Martinsville City had total outstanding obligations (not including pension or OPEB obligations) of \$36,027,347. Of this amount, \$8,795,970 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 \$1,017,198. 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, 2021 the City's ratio of Net General Obligation Debt to Assessed Value was 1.38%. 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 FY2021 Budget and Tax Rates

The FY21 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. Basic tax rates remain unchanged in FY21. 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 FY2022 - Opportunities and Challenges

The City faces both opportunities and challenges in FY22, 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 FY22.
- 2. Unemployment, under-employment, and other workforce challenges** - After many years of experiencing higher unemployment relative to other localities around the state, Martinsville realized substantial and steady improvement – until the COVID-19 outbreak. The unemployment rate for the City on June 30, 2021 was 8.3% compared to 14.3% on June 30, 2020 and 4.6% for June 30, 2019. Since June 30 the rate has improved somewhat, but challenges continue to be reported by employers in filling vacant positions throughout the community with qualified individuals. Workforce issues will continue to be a challenge as economic growth and expansion occurs.
- 3. Reductions in state aid and unfunded state mandates** - A continuing concern for the City is in regard to potential reductions in state aid during periods when state revenue fails to meet budget projections. This practice is unpredictable and creates additional financial stress for the City. The state's practice of failing to honor financial commitments to localities (HB599 funding, for example) as well as continuing to shift financial responsibility to the City for state mandated programs 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.

Looking Ahead – The Outlook for FY2022 - Opportunities and Challenges (Continued)

- 6. Exploration of new revenue opportunities** - With direction from City Council, staff continues to explore opportunities for revenue growth. Continued expansion/growth of the City's fiber optic system shows potential and positive net revenue growth is occurring. Expansion opportunities are generally considered on a case by case basis in regard to the investment required, ROI/pay back, and the ability of City staff to provide the highest level of customer support. In FY22, the City has 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.
- 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 is participating in two new projects – a solar project and a battery-storage project that will provide revenue and utility savings to City customers far into the future.
- 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 Chief Tassel Building, redevelopment of the BB & T bank property, and redevelopment of the building located at 62 Fayette Street.
- 9. Job Creation** - The City continues to partner through the EDC with Henry County in economic development. Going into FY22, 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 has signed as the second tenant and construction is underway on a \$145 million facility. There continues to be much interest in sites at both CCBC and the Patriot Centre.

Looking Ahead – The Outlook for FY2022 - Opportunities and Challenges (Continued)

11. Infrastructure Needs - The City continues to address essential infrastructure needs, recently completing a number of projects – repairs to the sewer collection system, replaced water and electric meters with an automated system, upgraded street lighting, remediated an environmental issue at the closed City landfill, and 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.

For fiscal year 2022, City Council approved a General Fund Budget of \$34,218,454 with no changes in utility rates and a reduction in the real estate rate from \$1.0621/\$100 to \$1.03975/\$100 to compensate for an overall increase in real estate assessments.

Requests for Information

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

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
At June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 17,863,994	\$ 9,548,998	\$ 27,412,992	\$ 1,785,415
Cash and cash equivalents - restricted	-	217,866	217,866	-
Receivables (net of allowance for uncollectibles):				
Property taxes	1,575,584	-	1,575,584	-
Accounts receivable	65,885	5,072,326	5,138,211	-
Inventory	3,059,900	1,365,197	4,425,097	-
Due from component unit	444,416	-	444,416	-
Due from other governments	957,625	-	957,625	2,890,488
Total Current Assets	\$ 23,967,404	\$ 16,204,387	\$ 40,171,791	\$ 4,675,903
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	-	2,455,770	2,455,770	-
Buildings and improvements	6,803,268	2,352,580	9,155,848	11,839,608
Equipment	3,358,264	2,654,479	6,012,743	558,435
Infrastructure	4,199,554	42,167,351	46,366,905	-
Total Net Capital Assets	\$ 18,740,180	\$ 50,313,804	\$ 69,053,984	\$ 12,445,215
Total Noncurrent Assets	\$ 18,740,180	\$ 50,313,804	\$ 69,053,984	\$ 12,445,215
Total Assets	\$ 42,707,584	\$ 66,518,191	\$ 109,225,775	\$ 17,121,118
DEFERRED OUTFLOWS OF RESOURCES:				
Items related to:				
Pension	\$ 5,658,509	\$ 1,197,966	\$ 6,856,475	\$ 4,846,099
OPEB	370,957	77,220	448,177	437,433
Total deferred outflows of resources	\$ 6,029,466	\$ 1,275,186	\$ 7,304,652	\$ 5,283,532
Total assets and deferred outflows of resources	\$ 48,737,050	\$ 67,793,377	\$ 116,530,427	\$ 22,404,650
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 3,004,130	\$ 889,234	\$ 3,893,364	\$ 2,094,855
Accrued interest payable	198,848	63,889	262,737	-
Due to primary government	-	-	-	444,416
Unearned revenues	6,530,603	-	6,530,603	-
Current portion of grant repayment liability	156,000	-	156,000	-
Current portion of long-term obligations	1,480,600	1,252,041	2,732,641	-
Total Current Liabilities	\$ 11,370,181	\$ 2,205,164	\$ 13,575,345	\$ 2,539,271
Noncurrent Liabilities:				
Noncurrent portion of grant repayment liability	\$ 156,000	\$ -	\$ 156,000	\$ -
Noncurrent portion of long-term obligations	36,161,401	30,548,267	66,709,668	24,374,198
Total Noncurrent Liabilities	\$ 36,317,401	\$ 30,548,267	\$ 66,865,668	\$ 24,374,198
Total Liabilities	\$ 47,687,582	\$ 32,753,431	\$ 80,441,013	\$ 26,913,469
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 110,816	\$ -	\$ 110,816	\$ -
Items related to:				
Pension	15,903	47,042	62,945	2,832,152
OPEB	57,461	10,286	67,747	474,698
Total deferred inflows of resources	\$ 184,180	\$ 57,328	\$ 241,508	\$ 3,306,850
NET POSITION				
Net investment in capital assets	\$ 9,375,841	\$ 26,753,935	\$ 36,129,776	\$ 12,445,215
Unrestricted	(8,510,553)	8,228,683	(281,870)	(20,260,884)
Total Net Position	\$ 865,288	\$ 34,982,618	\$ 35,847,906	\$ (7,815,669)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 48,737,050	\$ 67,793,377	\$ 116,530,427	\$ 22,404,650

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, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 4,682,408	\$ 24,179	\$ 505,481	\$ -
Judicial administration	2,762,578	140,128	847,081	9,330
Public safety	12,944,151	673,967	4,780,825	50,000
Public works	5,353,609	1,558,169	3,844,187	2,162,255
Health and welfare	1,469,097	-	639,624	-
Education	5,381,040	-	-	-
Parks, recreation, and cultural	935,267	-	63,054	-
Community development	5,332,000	-	686,735	-
Interest on long-term debt	103,981	-	-	-
Total governmental activities	\$ 38,964,131	\$ 2,396,443	\$ 11,366,987	\$ 2,221,585
Business-type activities:				
Electric	\$ 17,591,291	\$ 19,232,456	\$ -	\$ 186,925
Water	2,647,895	3,487,960	-	335,086
Sewer	4,469,997	4,675,061	-	-
Refuse collection / landfill	1,883,910	1,713,245	-	-
Total business-type activities	\$ 26,593,093	\$ 29,108,722	\$ -	\$ 522,011
Total primary government	\$ 65,557,224	\$ 31,505,165	\$ 11,366,987	\$ 2,743,596
COMPONENT UNIT:				
School Board	\$ 25,819,682	\$ 8,496	\$ 22,330,896	\$ -
General revenues:				
General property taxes				
Local sales tax				
Business license tax				
Meals tax				
Consumer utility tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
City contribution to the school board, unrestricted				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	School Board	Functions/Programs
PRIMARY GOVERNMENT:				
Governmental activities:				
\$ (4,152,748)	\$ -	\$ (4,152,748)	\$ -	General government administration
(1,766,039)	-	(1,766,039)	-	Judicial administration
(7,439,359)	-	(7,439,359)	-	Public safety
2,211,002	-	2,211,002	-	Public works
(829,473)	-	(829,473)	-	Health and welfare
(5,381,040)	-	(5,381,040)	-	Education
(872,213)	-	(872,213)	-	Parks, recreation, and cultural
(4,645,265)	-	(4,645,265)	-	Community development
(103,981)	-	(103,981)	-	Interest on long-term debt
\$ (22,979,116)	\$ -	\$ (22,979,116)	\$ -	Total government activities
Business-type activities:				
\$ -	\$ 1,828,090	\$ 1,828,090	\$ -	Electric
-	1,175,151	1,175,151	-	Water
-	205,064	205,064	-	Sewer
-	(170,665)	(170,665)	-	Refuse collection / landfill
\$ -	\$ 3,037,640	\$ 3,037,640	\$ -	Total business-type activities
\$ (22,979,116)	\$ 3,037,640	\$ (19,941,476)	\$ -	Total primary government
COMPONENT UNIT:				
\$ -	\$ -	\$ -	\$ (3,480,290)	School Board
General revenues:				
\$ 9,448,108	\$ -	\$ 9,448,108	\$ -	General property taxes
2,346,936	-	2,346,936	-	Local sales tax
1,943,342	-	1,943,342	-	Business license tax
2,163,683	-	2,163,683	-	Meals tax
568,104	-	568,104	-	Consumer utility tax
1,071,966	-	1,071,966	-	Other local taxes
1,198,865	25,512	1,224,377	48,024	Unrestricted revenues from use of money and property
544,762	642,677	1,187,439	376,918	Miscellaneous
1,436,736	-	1,436,736	-	Grants and contributions not restricted to specific programs
-	-	-	4,089,345	City contribution to the school board, unrestricted
2,000,000	(2,000,000)	-	-	Transfers
\$ 22,722,502	\$ (1,331,811)	\$ 21,390,691	\$ 4,514,287	Total general revenues and transfers
\$ (256,614)	\$ 1,705,829	\$ 1,449,215	\$ 1,033,997	Change in net position
1,121,902	33,276,789	34,398,691	(8,849,666)	Net position - beginning, as restated
\$ 865,288	\$ 34,982,618	\$ 35,847,906	\$ (7,815,669)	Net position - ending

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Fund Financial Statements

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Balance Sheet - Governmental Funds
At June 30, 2021

	General	Meals Tax Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 16,319,606	\$ 1,012,976	\$ 531,412	\$ 17,863,994
Receivables (net of allowance for uncollectibles):				
Taxes, including penalties	1,575,584	-	-	1,575,584
Accounts	65,885	-	-	65,885
Inventory	1,463,423	-	-	1,463,423
Due from component unit	444,416	-	-	444,416
Due from other governments	957,625	-	-	957,625
Total assets	<u>\$ 20,826,539</u>	<u>\$ 1,012,976</u>	<u>\$ 531,412</u>	<u>\$ 22,370,927</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 2,974,688	\$ -	\$ 29,440	\$ 3,004,128
Unearned revenue	6,530,603	-	-	6,530,603
Total liabilities	<u>\$ 9,505,291</u>	<u>\$ -</u>	<u>\$ 29,440</u>	<u>\$ 9,534,731</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 1,528,172	\$ -	\$ -	\$ 1,528,172
Total deferred inflows of resources	<u>\$ 1,528,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,528,172</u>
FUND BALANCES				
Nonspendable:				
Inventory	\$ 1,463,423	\$ -	\$ -	\$ 1,463,423
Committed:				
Judicial administration	52,590	-	-	52,590
Public safety	590,952	-	-	590,952
Public works	69,272	-	-	69,272
Community development	42,553	-	-	42,553
Assigned:				
Capital reserve fund	-	-	393,298	393,298
Special revenue	-	-	108,674	108,674
Meals tax fund	-	1,012,976	-	1,012,976
Unassigned	7,574,286	-	-	7,574,286
Total fund balances	<u>\$ 9,793,076</u>	<u>\$ 1,012,976</u>	<u>\$ 501,972</u>	<u>\$ 11,308,024</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,826,539</u>	<u>\$ 1,012,976</u>	<u>\$ 531,412</u>	<u>\$ 22,370,927</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	\$ 11,308,024
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	18,740,180
Inventory of land and buildings held for resale	1,596,477
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Unavailable revenue - property taxes	1,417,354
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	\$ 5,658,509
OPEB items	370,957
Deferred inflows related to:	
Pension items	\$ (15,903)
OPEB items	(57,461)
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.	(37,954,001)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(198,848)
Net position of General Government Activities	<u>\$ 865,288</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, 2021

	General	Meals Tax Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes	\$ 9,762,106	\$ -	\$ -	\$ 9,762,106
Other local taxes	5,930,348	2,163,683	-	8,094,031
Permits, privilege fees and regulatory licenses	82,265	-	-	82,265
Fines and forfeitures	92,397	-	-	92,397
Revenue from use of money and property	1,179,505	-	19,360	1,198,865
Charges for services	2,221,781	-	-	2,221,781
Miscellaneous	544,762	-	-	544,762
Recovered costs	2,312,178	-	-	2,312,178
Intergovernmental:				
Commonwealth	10,856,857	-	-	10,856,857
Federal	2,323,351	372,721	1,845,102	4,541,174
Total revenues	\$ 35,305,550	\$ 2,536,404	\$ 1,864,462	\$ 39,706,416
Expenditures:				
Current:				
General government administration	\$ 4,738,100	\$ 56,352	\$ 427,043	\$ 5,221,495
Judicial administration	2,572,521	-	-	2,572,521
Public safety	10,646,394	-	1,614,664	12,261,058
Public works	5,744,619	-	183,706	5,928,325
Health and welfare	1,381,590	-	-	1,381,590
Education	4,109,180	-	-	4,109,180
Parks, recreation, and cultural	841,469	-	9,690	851,159
Community development	4,268,347	-	651,923	4,920,270
Debt service:				
Principal retirement	-	1,076,458	313,231	1,389,689
Interest and other fiscal charges	-	448,664	48,162	496,826
Total expenditures	\$ 34,302,220	\$ 1,581,474	\$ 3,248,419	\$ 39,132,113
Excess (deficiency) of revenues over (under) expenditures	\$ 1,003,330	\$ 954,930	\$ (1,383,957)	\$ 574,303
Other financing sources (uses):				
Transfers in	\$ 2,000,000	\$ -	\$ 852,648	\$ 2,852,648
Transfers (out)	(352,190)	(500,458)	-	(852,648)
Total other financing sources (uses)	\$ 1,647,810	\$ (500,458)	\$ 852,648	\$ 2,000,000
Changes in fund balances	\$ 2,651,140	\$ 454,472	\$ (531,309)	\$ 2,574,303
Fund balances at beginning of year, as restated	7,141,936	558,504	1,033,281	8,733,721
Fund balances at end of year	\$ 9,793,076	\$ 1,012,976	\$ 501,972	\$ 11,308,024

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2021

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds	\$	2,574,303
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	\$ 797,977	
Depreciation expense	<u>(1,302,731)</u>	(504,754)
Inventory of land and buildings purchased during the year and held for resale		25,024
Transfer of joint tenancy assets from Primary Government to the Component Unit		(1,076,458)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of the following:		
Change in unavailable tax revenue	\$ (313,999)	
Change in deferred inflows related to the measurement of:		
Pension items	509,473	
OPEB items	<u>36,795</u>	232,269
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, similar items when obligations are first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Details supporting this adjustment are as follows:		
Principal retired on debt on state literary fund loans	\$ 375,000	
Principal retired on general obligation bonds	85,100	
Principal retired on capital lease	228,131	
Principal retired on VPA subsidy bonds	701,458	
Repayment of grant funds	<u>156,000</u>	1,545,689
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	\$ 1,991	
Change in deferred outflows related to:		
Pension items	1,354,658	
OPEB items	35,952	
Change in net pension liability	(4,289,056)	
Change in net OPEB liability - group life insurance	(31,515)	
Change in total Pay-as-you-Go OPEB liability	(144,841)	
Change in accrued interest payable	<u>20,124</u>	(3,052,687)
Change in net position of governmental activities	\$	<u>(256,614)</u>

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

Proprietary Funds
Statement of Net Position
At June 30, 2021

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 1,253,201	\$ 3,309,153	\$ 1,982,557	\$ 3,004,087	\$ 9,548,998
Cash and cash equivalents - restricted	197,345	20,521	-	-	217,866
Receivables (net of allowance for uncollectibles):	3,748,434	586,825	464,585	272,482	5,072,326
Inventory	1,118,851	246,346	-	-	1,365,197
Total current assets	\$ 6,317,831	\$ 4,162,845	\$ 2,447,142	\$ 3,276,569	\$ 16,204,387
Noncurrent Assets					
Capital assets:					
Land	\$ -	\$ 658,224	\$ 25,400	\$ -	\$ 683,624
Construction in progress	-	2,455,770	-	-	2,455,770
Buildings and improvements	586,744	1,993,728	1,230,905	2,967,861	6,779,238
Equipment	3,315,252	1,770,936	2,539,921	2,191,436	9,817,545
Infrastructure	39,559,121	16,117,910	35,481,633	-	91,158,664
Accumulated depreciation	(25,845,359)	(13,008,945)	(18,482,345)	(3,244,388)	(60,581,037)
Total capital assets (net of accumulated depreciation)	\$ 17,615,758	\$ 9,987,623	\$ 20,795,514	\$ 1,914,909	\$ 50,313,804
Total assets	\$ 23,933,589	\$ 14,150,468	\$ 23,242,656	\$ 5,191,478	\$ 66,518,191
Deferred Outflows of Resources					
Items related to:					
Pension	\$ 312,187	\$ 245,850	\$ 505,708	\$ 134,221	\$ 1,197,966
OPEB	21,066	16,180	31,877	8,097	77,220
Total deferred outflows of resources	\$ 333,253	\$ 262,030	\$ 537,585	\$ 142,318	\$ 1,275,186
Total assets and deferred outflows of resources	\$ 24,266,842	\$ 14,412,498	\$ 23,780,241	\$ 5,333,796	\$ 67,793,377
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 219,733	\$ 260,746	\$ 130,966	\$ 59,923	\$ 671,368
Customers' deposits	197,345	20,521	-	-	217,866
Interest payable	37,862	20,758	-	5,269	63,889
Current portion of long-term obligations	307,470	259,064	642,320	43,187	1,252,041
Total current liabilities	\$ 762,410	\$ 561,089	\$ 773,286	\$ 108,379	\$ 2,205,164
Noncurrent liabilities:					
Noncurrent portion of long-term obligations	5,068,337	4,582,886	17,655,324	3,241,720	30,548,267
Total liabilities	\$ 5,830,747	\$ 5,143,975	\$ 18,428,610	\$ 3,350,099	\$ 32,753,431
Deferred Inflows of Resources					
Items related to:					
Pension	\$ 45,180	\$ 1,862	\$ -	\$ -	\$ 47,042
OPEB	2,916	2,151	4,169	1,050	10,286
Total deferred inflows of resources:	\$ 48,096	\$ 4,013	\$ 4,169	\$ 1,050	\$ 57,328
NET POSITION					
Net investment in capital assets	\$ 13,885,757	\$ 6,416,288	\$ 4,954,979	\$ 1,496,911	\$ 26,753,935
Unrestricted	4,502,242	2,848,222	392,483	485,736	8,228,683
Total net position	\$ 18,387,999	\$ 9,264,510	\$ 5,347,462	\$ 1,982,647	\$ 34,982,618
Total liabilities, deferred inflows of resources and net position	\$ 24,266,842	\$ 14,412,498	\$ 23,780,241	\$ 5,333,796	\$ 67,793,377

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, 2021

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Operating revenues:					
Charges for services	\$ 19,232,456	\$ 3,487,960	\$ 4,675,061	\$ 1,713,245	\$ 29,108,722
Miscellaneous	79,362	199,145	-	364,170	642,677
Total operating revenues	\$ 19,311,818	\$ 3,687,105	\$ 4,675,061	\$ 2,077,415	\$ 29,751,399
Operating expenses:					
Personnel services	\$ 695,970	\$ 558,996	\$ 999,412	\$ 268,435	\$ 2,522,813
Fringe benefits	334,141	377,789	500,201	165,666	1,377,797
Contractual services	235,789	228,511	175,248	207,664	847,212
Other charges	15,599,544	1,054,935	2,084,567	1,013,441	19,752,487
Depreciation	629,890	314,189	710,484	216,777	1,871,340
Total operating expenses	\$ 17,495,334	\$ 2,534,420	\$ 4,469,912	\$ 1,871,983	\$ 26,371,649
Operating income (loss)	\$ 1,816,484	\$ 1,152,685	\$ 205,149	\$ 205,432	\$ 3,379,750
Nonoperating revenues (expenses):					
Federal grants	\$ 134,494	\$ 27,994	\$ 24,437	\$ -	\$ 186,925
State grants	-	335,086	-	-	335,086
Interest income	-	-	25,512	-	25,512
Interest expense	(95,957)	(53,159)	(85)	(11,927)	(161,128)
Debt issuance cost	-	(60,316)	-	-	(60,316)
Total nonoperating revenues (expenses)	\$ 38,537	\$ 249,605	\$ 49,864	\$ (11,927)	\$ 326,079
Income (loss) before transfers	\$ 1,855,021	\$ 1,402,290	\$ 255,013	\$ 193,505	\$ 3,705,829
Transfers:					
Transfers in	\$ -	\$ -	\$ 35,000	\$ -	\$ 35,000
Transfers (out)	(35,000)	-	-	(2,000,000)	(2,035,000)
Change in net position	\$ 1,820,021	\$ 1,402,290	\$ 290,013	\$ (1,806,495)	\$ 1,705,829
Net position at beginning of year	16,567,978	7,862,220	5,057,449	3,789,142	33,276,789
Net position at end of year	\$ 18,387,999	\$ 9,264,510	\$ 5,347,462	\$ 1,982,647	\$ 34,982,618

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, 2021

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 17,805,208	\$ 3,502,339	\$ 4,630,337	\$ 2,051,741	\$ 27,989,625
Payments to suppliers and other operating expenses	(17,241,900)	(1,099,377)	(2,285,608)	(1,240,008)	(21,866,893)
Payments to employees (including fringe benefits)	(904,304)	(752,586)	(1,394,157)	(384,223)	(3,435,270)
Net cash provided by (used for) operating activities	\$ (340,996)	\$ 1,650,376	\$ 950,572	\$ 427,510	\$ 2,687,462
Cash Flows From Capital and Related Financing Activities:					
Purchase and construction of capital assets	\$ (895,244)	\$ (2,600,382)	\$ (140,746)	\$ -	\$ (3,636,372)
Issuance of water and sewer revenue bonds	-	1,526,336	-	-	1,526,336
Federal grants	134,494	27,994	24,437	-	186,925
State grants	-	335,086	-	-	335,086
Retirement of general obligation bonds	-	-	(17,771)	(121,230)	(139,001)
Retirement of revenue bonds	-	-	(634,336)	-	(634,336)
Retirement of capital lease obligations	(263,000)	(182,000)	-	-	(445,000)
Interest expense	(98,627)	(55,007)	(471)	(14,198)	(168,303)
Debt issuance costs	-	(60,316)	-	-	(60,316)
Net cash provided by (used for) capital and related financing activities	\$ (1,122,377)	\$ (1,008,289)	\$ (768,887)	\$ (135,428)	\$ (3,034,981)
Cash Flows From Noncapital Financing Activities:					
Transfers	\$ (35,000)	\$ -	\$ 35,000	\$ (2,000,000)	\$ (2,000,000)
Net cash provided by (used for) noncapital financing activities	\$ (35,000)	\$ -	\$ 35,000	\$ (2,000,000)	\$ (2,000,000)
Cash Flows From Investing Activities:					
Interest income	\$ -	\$ -	\$ 25,512	\$ -	\$ 25,512
Net Increase (decrease) in cash and cash equivalents	\$ (1,498,373)	\$ 642,087	\$ 242,197	\$ (1,707,918)	\$ (2,322,007)
Cash and cash equivalents at beginning of year	<u>2,948,919</u>	<u>2,687,587</u>	<u>1,740,360</u>	<u>4,712,005</u>	<u>12,088,871</u>
Cash and cash equivalents at end of year	<u>\$ 1,450,546</u>	<u>\$ 3,329,674</u>	<u>\$ 1,982,557</u>	<u>\$ 3,004,087</u>	<u>\$ 9,766,864</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 1,816,484	\$ 1,152,685	\$ 205,149	\$ 205,432	\$ 3,379,750
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	\$ 629,890	\$ 314,189	\$ 710,484	\$ 216,777	\$ 1,871,340
Changes in operating activities:					
(Increase) decrease in:					
Accounts receivable	(1,260,543)	(145,850)	(44,724)	(25,674)	(1,476,791)
Inventory	37,995	(32,966)	-	-	5,029
Increase (decrease) in:					
Accounts payable	(1,444,562)	217,035	(25,793)	(45,493)	(1,298,813)
Deferred outflows of resources	(69,259)	(26,430)	(156,152)	(46,347)	(298,188)
Deferred inflows of resources	(17,582)	(21,981)	(121,482)	(15,235)	(176,280)
Net pension liability	182,823	184,800	402,935	107,042	877,600
Net OPEB liability - group life insurance	(2,964)	4,308	(1,713)	525	156
Total Pay-as-you-Go OPEB liability	14,201	34,519	(26,645)	86	22,161
Compensated absences	18,588	8,983	8,513	3,807	39,891
Landfill closure and post-closure liability	-	-	-	26,590	26,590
Customer deposits	(246,067)	(38,916)	-	-	(284,983)
Total adjustments	\$ (2,157,480)	\$ 497,691	\$ 745,423	\$ 222,078	\$ (692,288)
Net cash provided by (used for) operating activities	<u>\$ (340,996)</u>	<u>\$ 1,650,376</u>	<u>\$ 950,572</u>	<u>\$ 427,510</u>	<u>\$ 2,687,462</u>

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

Statement of Fiduciary Net Position
 Custodial Funds
 At June 30, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 1,540,091
Total assets	\$ 1,540,091
LIABILITIES	
Accounts payable	\$ 121,959
Total liabilities	\$ 121,959
NET POSITION	
Restricted for:	
Employee benefits	\$ 505,613
Inmates	28,402
Piedmont Regional Criminal Justice Training Academy	409,810
Southern Virginia Recreation Facility Authority	138,103
Blue Ridge Regional Library	257,809
Dan River ASAP	78,395
Total net position	\$ 1,418,132
Total liabilities and net position	\$ 1,540,091

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

Statement of Changes in Fiduciary Net Position
 Custodial Funds
 June 30, 2021

	Custodial Funds
ADDITIONS	
Employee deferrals	\$ 4,741,904
Interest income	7,167
Collections for inmates	479,693
Collections for Piedmont Regional Criminal Justice Training Academy	423,255
Collections for Southern Virginia Recreation Facility Authority	543,130
Collections for Blue Ridge Regional Library	1,810,128
Collections for Dan River ASAP	216,344
Total additions	\$ 8,221,621
DEDUCTIONS	
Retirement benefits	\$ 4,669,590
Disbursements for inmates	456,432
Disbursements for Piedmont Regional Criminal Justice Training Academy	365,235
Disbursements for Southern Virginia Recreation Facility Authority	473,274
Disbursements for Blue Ridge Regional Library	1,804,028
Disbursements for Dan River ASAP	226,510
Total deductions	\$ 7,995,069
Net increase (decrease) in fiduciary net position	\$ 226,552
Net position, beginning of year, as restated	\$ 1,191,580
Net position, end of year	\$ 1,418,132

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, 2021

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, 2021 (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 combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Unit. The City has no blended component units at June 30, 2021.

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, 2021.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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, 2021 (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 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, 2021 (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 Funds are City Grants Fund and CARES 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, 2021 (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 uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,855,829 at June 30, 2021, and is composed of the following:

General Fund

Allowance for uncollectible property taxes	\$ <u>312,973</u>
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Enterprise Funds

Allowance for uncollectible accounts:

Electric Fund	\$ 1,088,479
Water Fund	185,427
Sewer Fund	168,098
Refuse Collection/Landfill Fund	<u>100,852</u>

Total allowance for uncollectible accounts – Enterprise funds	\$ <u>1,542,856</u>
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Total allowance for uncollectible accounts	\$ <u><u>1,855,829</u></u>
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CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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, which include property, plant and equipment and infrastructure, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed. No interest was capitalized in the current year.

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

J. Capital Assets: (Continued)

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

K. Deferred Outflows/Inflows of Resources

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

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

L. Pensions

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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 Equity

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

Q. Fund Equity: (Continued)

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

R. Net Position

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

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

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

S. Net Position Flow Assumption

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

T. Long-term Obligations

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

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

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

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

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

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

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

V. Upcoming Pronouncements

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

V. Upcoming Pronouncements: (Continued)

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

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

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

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

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

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

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

W. Adoption of Accounting Principles

In 2021, the City adopted Statement No. 84, *Fiduciary Activities*, which established criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported.

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.

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 3—Deposits and Investments: (Continued)

Restricted cash and cash equivalents at June 30, 2021 consist of the following:

	Electric Fund	Water Fund	Total
Proprietary Funds:			
Utility customer deposits	\$ 197,345	\$ 20,521	\$ 217,866
Total	\$ 197,345	\$ 20,521	\$ 217,866

The component unit school board is part of the City's pooled cash and has a net balance in the amount of \$2,104,527 at June 30, 2021.

Note 4—Due from Other Governments:

At June 30, 2021, the City has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 202,601	\$ -
State sales tax	-	225,153
Constitutional officer reimbursements	252,499	-
Victim witness grants	4,834	-
Children's services	130,217	-
Communication taxes	54,636	-
Auto rental tax	11,163	-
Brownfields grant - VBAF	205,000	-
Erate	-	156,600
Miscellaneous	32,417	-
Federal Government:		
Brownfields	7,038	-
TANF grant - pass through	33,714	-
Victim witness grants	14,502	-
Miscellaneous grants	9,004	-
School fund grants	-	2,508,735
Total due from other governments	\$ 957,625	\$ 2,890,488

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 5—Inventory:

At June 30, 2021, the City has inventory recorded in the various funds as follows:

	Governmental Activities	Business-type Activities
Expendable supplies	\$ 1,463,423	\$ 1,365,197
Land and building inventory held for resale:		
75 Commercial & residential lots held for resale	1,374,891	-
6 Commercial & residential buildings held for resale	221,586	-
Totals	<u>\$ 3,059,900</u>	<u>\$ 1,365,197</u>

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2021:

Primary Government:

Governmental Activities:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
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	11,665,091	797,977	352,943	12,110,125
Infrastructure	34,731,414	-	-	34,731,414
Jointly owned assets	8,892,528	-	1,076,458	7,816,070
Total capital assets being depreciated	<u>\$ 63,220,888</u>	<u>\$ 797,977</u>	<u>\$ 1,429,401</u>	<u>\$ 62,589,464</u>
Accumulated depreciation:				
Buildings and improvements	\$ 4,793,539	\$ 198,111	\$ -	\$ 4,991,650
Equipment	8,353,243	751,561	352,943	8,751,861
Infrastructure	30,374,203	157,657	-	30,531,860
Jointly owned assets	3,757,605	195,402	-	3,953,007
Total accumulated depreciation	<u>\$ 47,278,590</u>	<u>\$ 1,302,731</u>	<u>\$ 352,943</u>	<u>\$ 48,228,378</u>
Total capital assets being depreciated, net	<u>\$ 15,942,298</u>	<u>\$ (504,754)</u>	<u>\$ 1,076,458</u>	<u>\$ 14,361,086</u>
Governmental activities capital assets, net	<u>\$ 20,321,392</u>	<u>\$ (504,754)</u>	<u>\$ 1,076,458</u>	<u>\$ 18,740,180</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 6—Capital Assets: (Continued)

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

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Electric Fund:				
Capital assets being depreciated:				
Buildings and improvements	\$ 586,744	\$ -	\$ -	\$ 586,744
Equipment	3,315,252	-	-	3,315,252
Infrastructure	<u>38,663,877</u>	<u>895,244</u>	<u>-</u>	<u>39,559,121</u>
 Total capital assets being depreciated	 \$ <u>42,565,873</u>	 \$ <u>895,244</u>	 \$ <u>-</u>	 \$ <u>43,461,117</u>
Accumulated depreciation:				
Buildings and improvements	\$ 586,744	\$ -	\$ -	\$ 586,744
Equipment	2,355,751	142,429	-	2,498,180
Infrastructure	<u>22,272,974</u>	<u>487,461</u>	<u>-</u>	<u>22,760,435</u>
 Total accumulated depreciation	 \$ <u>25,215,469</u>	 \$ <u>629,890</u>	 \$ <u>-</u>	 \$ <u>25,845,359</u>
 Total capital assets being depreciated, net	 \$ <u>17,350,404</u>	 \$ <u>265,354</u>	 \$ <u>-</u>	 \$ <u>17,615,758</u>
 Electric fund capital assets, net	 \$ <u><u>17,350,404</u></u>	 \$ <u><u>265,354</u></u>	 \$ <u><u>-</u></u>	 \$ <u><u>17,615,758</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities: (Continued)

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Water Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 658,224	\$ -	\$ -	\$ 658,224
Construction in progress	-	2,455,770	-	2,455,770
Total capital assets not being depreciated	\$ 658,224	\$ 2,455,770	\$ -	\$ 3,113,994
Capital assets being depreciated:				
Buildings and improvements	\$ 1,993,728	\$ -	\$ -	\$ 1,993,728
Equipment	1,770,936	-	-	1,770,936
Infrastructure	15,973,298	144,612	-	16,117,910
Total capital assets being depreciated	\$ 19,737,962	\$ 144,612	\$ -	\$ 19,882,574
Accumulated depreciation:				
Buildings and improvements	\$ 1,338,243	\$ 37,917	\$ -	\$ 1,376,160
Equipment	1,331,344	50,409	-	1,381,753
Infrastructure	10,025,169	225,863	-	10,251,032
Total accumulated depreciation	\$ 12,694,756	\$ 314,189	\$ -	\$ 13,008,945
Total capital assets being depreciated, net	\$ 7,043,206	\$ (169,577)	\$ -	\$ 6,873,629
Water fund capital assets, net	\$ 7,701,430	\$ 2,286,193	\$ -	\$ 9,987,623

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Sewer Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 25,400	\$ -	\$ -	\$ 25,400
Total capital assets not being depreciated	\$ 25,400	\$ -	\$ -	\$ 25,400
Capital assets being depreciated:				
Buildings and improvements	\$ 1,230,905	\$ -	\$ -	\$ 1,230,905
Equipment	2,464,660	75,261	-	2,539,921
Infrastructure	35,416,148	65,485	-	35,481,633
Total capital assets being depreciated	\$ 39,111,713	\$ 140,746	\$ -	\$ 39,252,459
Accumulated depreciation:				
Buildings and improvements	\$ 970,899	\$ 17,826	\$ -	\$ 988,725
Equipment	1,408,232	105,542	-	1,513,774
Infrastructure	15,392,730	587,116	-	15,979,846
Total accumulated depreciation	\$ 17,771,861	\$ 710,484	\$ -	\$ 18,482,345
Total capital assets being depreciated, net	\$ 21,339,852	\$ (569,738)	\$ -	\$ 20,770,114
Sewer fund capital asset, net	\$ 21,365,252	\$ (569,738)	\$ -	\$ 20,795,514

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 6—Capital Assets: (Continued)

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

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</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>-</u>	<u>-</u>	<u>2,191,436</u>
Total capital assets being depreciated	\$ <u>5,159,297</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,159,297</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,335,875	\$ 139,154	\$ -	\$ 1,475,029
Equipment	<u>1,691,736</u>	<u>77,623</u>	<u>-</u>	<u>1,769,359</u>
Total accumulated depreciation	\$ <u>3,027,611</u>	\$ <u>216,777</u>	\$ <u>-</u>	\$ <u>3,244,388</u>
Total capital assets being depreciated, net	\$ <u>2,131,686</u>	\$ <u>(216,777)</u>	\$ <u>-</u>	\$ <u>1,914,909</u>
Refuse collection/landfill fund capital assets, net	\$ <u><u>2,131,686</u></u>	\$ <u><u>(216,777)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,914,909</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Total Business-type Activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 683,624	\$ -	\$ -	\$ 683,624
Construction in progress	<u>-</u>	<u>2,455,770</u>	<u>-</u>	<u>2,455,770</u>
Total capital assets not being depreciated	\$ <u>683,624</u>	\$ <u>2,455,770</u>	\$ <u>-</u>	\$ <u>3,139,394</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,779,238	\$ -	\$ -	\$ 6,779,238
Equipment	9,742,284	75,261	-	9,817,545
Infrastructure	<u>90,053,323</u>	<u>1,105,341</u>	<u>-</u>	<u>91,158,664</u>
Total capital assets being depreciated	\$ <u>106,574,845</u>	\$ <u>1,180,602</u>	\$ <u>-</u>	\$ <u>107,755,447</u>
Accumulated depreciation:				
Buildings and improvements	\$ 4,231,761	\$ 194,897	\$ -	\$ 4,426,658
Equipment	6,787,063	376,003	-	7,163,066
Infrastructure	<u>47,690,873</u>	<u>1,300,440</u>	<u>-</u>	<u>48,991,313</u>
Total accumulated depreciation	\$ <u>58,709,697</u>	\$ <u>1,871,340</u>	\$ <u>-</u>	\$ <u>60,581,037</u>
Total capital assets being depreciated, net	\$ <u>47,865,148</u>	\$ <u>(690,738)</u>	\$ <u>-</u>	\$ <u>47,174,410</u>
Total Business-type capital assets, net	\$ <u><u>48,548,772</u></u>	\$ <u><u>1,765,032</u></u>	\$ <u><u>-</u></u>	\$ <u><u>50,313,804</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 6—Capital Assets: (Continued)

Discretely Presented Component Unit—School Board:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</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	3,526,806	-	38,875	3,487,931
Jointly owned assets	14,844,230	1,076,458	-	15,920,688
Total capital assets being depreciated	\$ 26,467,344	\$ 1,076,458	\$ 38,875	\$ 27,504,927
Accumulated depreciation:				
Buildings and improvements	\$ 6,361,868	\$ 109,390	\$ -	\$ 6,471,258
Equipment	2,827,723	140,648	38,875	2,929,496
Jointly owned assets	5,308,113	398,017	-	5,706,130
Total accumulated depreciation	\$ 14,497,704	\$ 648,055	\$ 38,875	\$ 15,106,884
Total capital assets being depreciated, net	\$ 11,969,640	\$ 428,403	\$ -	\$ 12,398,043
School Board capital assets, net	\$ 12,016,812	\$ 428,403	\$ -	\$ 12,445,215

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 6—Capital Assets: (Continued)

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

Governmental activities:

General government administration	\$	112,489
Judicial administration		1,159
Public safety		535,067
Public works		344,818
Health and welfare		9,596
Education		195,402
Parks, recreation and cultural		38,415
Community development		<u>65,785</u>
Total Governmental activities	\$	<u><u>1,302,731</u></u>

Business-type activities:

Electric	\$	629,890
Water		314,189
Sewer		710,484
Refuse collection / landfill		<u>216,777</u>
Total Business-type activities	\$	<u><u>1,871,340</u></u>

Component Unit School Board	\$	<u><u>250,038</u></u> *
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* Note accumulated depreciation transferred from the Primary Government to the Component Unit School Board on Jointly owned assets totals \$398,017 for the year ending June 30, 2021 when added to depreciation expense above totals \$645,055 total depreciation per the previous page.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 7—Interfund Transfers/Obligations:

Interfund transfers for the year ended June 30, 2021, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Activities:		
General Fund	\$ 2,000,000	\$ 352,190
Meals tax	-	500,458
Nonmajor governmental funds:		
Capital reserve	852,648	-
Proprietary Funds:		
Refuse Collection/Landfill	-	2,000,000
Total	\$ <u>2,852,648</u>	\$ <u>2,852,648</u>

Interfund receivables and payable balances relative to working capital loans at June 30, 2021 are presented below:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Component Unit - School Board:		
School Operating Fund	\$ 1,223,748	\$ -
School Grants	-	1,223,748
Total	\$ <u>1,223,748</u>	\$ <u>1,223,748</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, 2021 (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, 2021:

	Balance July 1, 2020	Issuances/ Additions	Retirements/ Deletions	Balance June 30, 2021	Due Within One Year
Governmental Activities Obligations:					
Incurred by City:					
Direct borrowings and placements:					
General obligation bonds	\$ 647,000	\$ -	\$ 85,100	\$ 561,900	\$ 87,400
Capital lease	1,214,500	-	228,131	986,369	238,848
Compensated absences	615,918	123,184	125,175	613,927	61,393
Net pension liability	19,477,067	7,794,747	3,505,691	23,766,123	-
Net OPEB liability - group life insurance	875,230	257,539	226,024	906,745	-
Total OPEB liability - Pay-as-you-Go	<u>2,846,028</u>	<u>405,242</u>	<u>260,403</u>	<u>2,990,867</u>	<u>-</u>
Total incurred by City	<u>\$ 25,675,743</u>	<u>\$ 8,580,712</u>	<u>\$ 4,430,524</u>	<u>\$ 29,825,931</u>	<u>\$ 387,641</u>
Incurred by School Board:					
Direct borrowings and placements:					
State Literary Fund Loans	\$ 375,000	\$ -	\$ 375,000	\$ -	\$ -
VPA subsidy bonds	<u>8,517,528</u>	<u>-</u>	<u>701,458</u>	<u>7,816,070</u>	<u>1,092,959</u>
Total incurred by School Board	<u>\$ 8,892,528</u>	<u>\$ -</u>	<u>\$ 1,076,458</u>	<u>\$ 7,816,070</u>	<u>\$ 1,092,959</u>
Total Governmental Activities Obligations	<u>\$ 34,568,271</u>	<u>\$ 8,580,712</u>	<u>\$ 5,506,982</u>	<u>\$ 37,642,001</u>	<u>\$ 1,480,600</u>
Business-type Activities Obligations:					
Direct borrowings and placements:					
General obligation bonds	\$ 557,000	\$ -	\$ 139,000	\$ 418,000	\$ 41,000
Revenue bonds	16,474,870	1,526,336	634,336	17,366,870	682,359
Capital lease	6,220,000	-	445,000	5,775,000	504,000
Compensated absences	206,926	81,278	41,385	246,819	24,682
Net pension liability	4,043,895	1,658,246	780,648	4,921,493	-
Net OPEB liability - group life insurance	188,445	54,687	54,531	188,601	-
Total OPEB liability - Pay-as-you-Go	<u>618,972</u>	<u>79,205</u>	<u>57,044</u>	<u>641,133</u>	<u>-</u>
Landfill closure and post-closure costs	<u>2,215,803</u>	<u>26,589</u>	<u>-</u>	<u>2,242,392</u>	<u>-</u>
Total Business-type Activities Obligations	<u>\$ 30,525,911</u>	<u>\$ 3,426,341</u>	<u>\$ 2,151,944</u>	<u>\$ 31,800,308</u>	<u>\$ 1,252,041</u>
Total Primary Government	<u>\$ 65,094,182</u>	<u>\$ 12,007,053</u>	<u>\$ 7,658,926</u>	<u>\$ 69,442,309</u>	<u>\$ 2,732,641</u>

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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					General					
	Obligation Bonds		Capital Lease			Obligation Bonds		Revenue Bonds		Capital Lease	
	Principal	Interest	Principal	Interest		Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 87,400	\$ 15,452	\$ 238,848	\$ 19,652	\$	\$ 41,000	\$ 10,931	\$ 682,359	\$ 6,250	\$ 504,000	\$ 142,643
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	\$ 561,900	\$ 55,308	\$ 986,369	\$ 47,629	\$	\$ 418,000	\$ 53,873	\$ 18,340,534	\$ 159,370	\$ 5,775,000	\$ 841,730
Less:											
Amount not yet drawn								(973,664)			
Outstanding balance 6/30/21								17,366,870			

*The amortization schedule is shown for the total amount of all outstanding issuances. At June 30, 2021, only \$1,526,336 of the total \$2,500,000 of Series 2020 Water and Sewer Revenue Bond had been drawn.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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
2022	\$ 1,092,959	\$ 432,163
2023	777,465	427,179
2024	780,079	422,065
2025	783,241	416,403
2026	786,569	410,575
2027	790,070	404,574
2028	793,755	398,389
2029	670,644	395,250
2030	670,644	395,250
2031	670,644	197,624
Total	\$ 7,816,070	\$ 3,899,472

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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%	\$ 561,900
Total general obligations bonds	\$ 561,900

Capital Lease:

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

\$1,214,500 obligation for the purchase of major equipment, payable in semi-annual installments of \$129,250 beginning July 15, 2020 through January 15, 2025, interest at 2.120%	\$ 986,369
Total capital lease obligations	\$ 986,369
Compensated absences	\$ 613,927
Net pension liability	\$ 23,766,123
Net OPEB liability - group life insurance	\$ 906,745
Total Pay-as-you-Go OPEB liability	\$ 2,990,867
Total Incurred by City	\$ 29,825,931

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%	\$ 791,652
 \$9,300,000 Qualified School Construction Bonds issued (for renovations to Martinsville High School) December 15, 2011, due in annual installments of varying amounts through December 1, 2030 interest free as a federal tax credit is provided to bondholders	 7,024,418
Total general obligation bonds	\$ 7,816,070
Total Incurred by the School Board	\$ 7,816,070
Total Governmental Activities Obligations	\$ 37,642,001

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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%.

\$ 8,750,000

\$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%.

7,090,534

\$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.

1,526,336

Total revenue bonds

\$ 17,366,870

General Obligation Bonds:

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

\$ 418,000

Total general obligation bonds

\$ 418,000

Capital Lease:

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

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

\$ 5,775,000

Compensated absences

\$ 246,819

Net pension liability

\$ 4,921,493

Net OPEB liability - group life insurance

\$ 188,601

Total Pay-as-you-Go OPEB liability

\$ 641,133

Landfill closure and postclosure costs

\$ 2,242,392

Total Business-type Activities Obligations

\$ 31,800,308

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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 \$17,366,870 contain a provision that, in the event of default, the Lender may declare the entire unpaid principal and interest on the issuance as due and payable.

Discretely Presented Component Unit-School Board

The following is a summary of changes in long-term obligations of the Discretely Presented Component Unit-School Board for the fiscal year ended June 30, 2021:

	Beginning Balance July 1, 2020	Additions	Deletions	Ending Balance June 30, 2021	Amounts Due Within One Year
Net pension liability - nonprofessional	\$ 1,549,002	\$ 342,622	\$ 162,201	\$ 1,729,423	-
Net pension liability - professional	18,899,892	6,952,196	6,494,185	19,357,903	-
Net OPEB liability - group life insurance	1,038,359	260,381	319,635	979,105	-
Net OPEB liability - health insurance credit	1,874,627	333,049	396,909	1,810,767	-
Total Pay-as-you-Go OPEB liability	693,000	57,000	253,000	497,000	-
Total	<u>\$ 24,054,880</u>	<u>\$ 7,945,248</u>	<u>\$ 7,625,930</u>	<u>\$ 24,374,198</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 \$2,242,392 reported as landfill closure and postclosure care liability at June 30, 2021 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 2021. 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, 2021 (Continued)

Note 10—Unearned and Deferred/Unavailable Revenue:

The following is a summary of unearned revenue for the year ended June 30, 2021:

	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	\$ -	\$ 1,417,356
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	110,816	110,816
Total deferred/unavailable revenue	\$ 110,816	\$ 1,528,172

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, 2021, 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, 2021 (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, 2021 (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, 2021 (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, 2021 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 \$2,438,762 and \$2,133,317 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

At June 30, 2021, the City reported a liability of \$28,687,616 for its proportionate share of the net pension liability. The City’s net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 and 2019 was used as a basis for allocation to determine the City’s proportionate share of the net pension liability. At June 30, 2020 and 2019, the City’s proportion was 92.86% and 93.00%, 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, 2019, 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, 2020.

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 14—Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City of Martinsville, Virginia's Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 14—Pension Plan: (Continued)

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is 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%.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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, 2020, 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, 2020, 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, 2020 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)	\$ 40,239,546	\$ 28,687,616	\$ 18,977,884

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

For the year ended June 30, 2021, the City recognized pension expense of \$5,172,939. 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, 2021 (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, 2021, 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	\$ 1,444,568	\$ -
Change in assumptions	729,174	-
Net difference between projected and actual earnings on pension plan investments	2,208,686	-
Changes in proportion	35,286	62,945
Employer contributions subsequent to the measurement date	2,438,761	-
Total	<u>\$ 6,856,475</u>	<u>\$ 62,945</u>

\$2,438,761 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, 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:

Year Ended June 30	Primary Government
2022	\$ 1,809,599
2023	1,088,682
2024	767,864
2025	716,282
2026	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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, 2021 (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, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	70
Inactive members:	
Vested inactive members	3
Non-vested inactive members	6
Inactive members active elsewhere in VRS	<u>17</u>
Total inactive members	26
Active members	<u>18</u>
Total covered employees	<u><u>114</u></u>

Contributions

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2021 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 \$108,026 and \$94,367 for the years ended June 30, 2021 and June 30, 2020, respectively.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

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, 2019	\$ 4,192,653	\$ 2,643,651	\$ 1,549,002
Changes for the year:			
Service cost	\$ 40,331	\$ -	\$ 40,331
Interest	271,048	-	271,048
Differences between expected and actual experience	29,332	-	29,332
Assumption changes	-	-	-
Contributions - employer	-	94,136	(94,136)
Contributions - employee	-	18,988	(18,988)
Net investment income	-	49,077	(49,077)
Benefit payments, including refunds	(354,242)	(354,242)	-
Administrative expenses	-	(1,856)	1,856
Other changes	-	(55)	55
Net changes	\$ (13,531)	\$ (193,952)	\$ 180,421
Balances at June 30, 2020	\$ 4,179,122	\$ 2,449,699	\$ 1,729,423

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Component Unit School Board (nonprofessional) Net Pension Liability	2,118,259	1,729,423	1,396,111

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

For the year ended June 30, 2021, the Component Unit School Board (nonprofessional) recognized pension expense of \$190,920. 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)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	72,915	-
Employer contributions subsequent to the measurement date	108,026	-
Total	\$ 180,941	\$ -

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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)

\$108,026 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, 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>	<u>Component Unit School Board (nonprofessional)</u>
2022	\$ (1,664)
2023	23,989
2024	26,355
2025	24,235
2026	-
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 \$1,871,355 and \$1,767,607 for the years ended June 30, 2021 and June 30, 2020, respectively.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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, 2021, the school division reported a liability of \$19,357,903 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was .13300% as compared to .14361% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$1,376,364. 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, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,134,672
Change in assumptions	1,321,420	-
Net difference between projected and actual earnings on pension plan investments	1,472,383	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,697,480
Employer contributions subsequent to the measurement date	<u>1,871,355</u>	<u>-</u>
Total	<u>\$ 4,665,158</u>	<u>\$ 2,832,152</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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)

\$1,871,355 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>		
2022	\$	(606,725)
2023		87,061
2024		331,380
2025		230,612
2026		(80,677)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions: (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	51,001,855
Plan Fiduciary Net Position		36,449,229
Employers' Net Pension Liability (Asset)	\$	<u>14,552,626</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		71.47%

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

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

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

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

	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	28,402,392	19,357,903	11,876,968

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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>6,856,475</u>	\$ <u>62,945</u>	\$ <u>28,687,616</u>	\$ <u>5,172,939</u>
	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
School Board Nonprofessional	\$ 180,941	\$ -	\$ 1,729,423	\$ 190,920
School Board Professional	<u>4,665,158</u>	<u>2,832,152</u>	<u>19,357,903</u>	<u>1,376,364</u>
Totals	\$ <u>4,846,099</u>	\$ <u>2,832,152</u>	\$ <u>21,087,326</u>	\$ <u>1,567,284</u>

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

Plan Description

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

Plan Description: (Continued)

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

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, 2021 was 0.54% 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 payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$73,238 and \$70,239 for the years ended June 30, 2020 and June 30, 2020, respectively, for the City; \$2,057 and \$2,149 for the years ended June 30, 2021 and June 30, 2020, respectively, for the component unit school board (nonprofessional); and \$63,039 and \$60,638 for the years ended June 30, 2021 and June 30, 2020, respectively, for the component unit school board (professional).

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

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

At June 30, 2021, liabilities of \$1,095,346, \$33,543, and \$945,562 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, 2020 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, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employers' proportions were 0.06571%, 0.00201%, and 0.05666% as compared to 0.06584%, 0.00250%, and 0.06131% at June 30, 2019, for the City, component unit school board (nonprofessional), and component unit school board (professional), respectively.

For the year ended June 30, 2021, the participating employers recognized GLI OPEB expense of \$32,762, (\$32), and \$16,720, 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, 2021, 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	\$ 70,256	\$ 9,839	\$ 2,152	\$ 303	\$ 60,649	\$ 8,492
Net difference between projected and actual earnings on GLI OPEB program investments	32,903	-	1,008	-	28,404	-
Change in assumptions	54,780	22,871	1,678	700	47,289	19,744
Changes in proportion	-	31,037	-	6,902	-	85,955
Employer contributions subsequent to the measurement date	73,238	-	2,057	-	63,039	-
Total	<u>\$ 231,177</u>	<u>\$ 63,747</u>	<u>\$ 6,895</u>	<u>\$ 7,905</u>	<u>\$ 199,381</u>	<u>\$ 114,191</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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)

\$73,238, \$2,057, \$63,039, 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, 2022. 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)
2022	\$ 7,490	\$ (806)	\$ (5,095)
2023	16,781	(521)	2,926
2024	28,020	(261)	12,597
2025	33,227	(250)	17,608
2026	8,167	(976)	(3,811)
Thereafter	507	(253)	(2,074)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020. 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*

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
GLI Net OPEB Liability (Asset)	\$	<u>1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		
		52.64%

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

Long-Term Expected Rate of Return

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

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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is 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%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, 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, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
City's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 1,439,918	\$ 1,095,346	\$ 815,524
Component Unit School Board (nonprofessional) proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 44,095	\$ 33,543	\$ 24,974
Component Unit School Board (professional) proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 1,243,015	\$ 945,562	\$ 704,004

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

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.

Employees Covered by Benefit Terms

As of the June 30, 2019 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>-</u>
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>-</u>
Active members	<u>18</u>
Total covered employees	<u><u>18</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

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, 2021 was 1.61% 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 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 \$6,133 for the year ended June 30, 2021.

Net HIC OPEB Liability

The Component Unit School Board (nonprofessional)’s net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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*

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

Long-Term Expected Rate of Return

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

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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is 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%.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

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, 2020, the rate contributed by the entity for the HIC 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, 2020 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, 2019	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	\$ -	\$ -	\$ -
Interest	-	-	-
Benefit changes	80,326	-	80,326
Differences between expected and actual experience	-	-	-
Assumption changes	-	-	-
Contributions - employer	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	-	-
Other changes	-	-	-
Net changes	\$ 80,326	\$ -	\$ 80,326
Balances at June 30, 2020	\$ 80,326	\$ -	\$ 80,326

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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	87,037	80,326	74,437

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, 2021, the Component Unit School Board (nonprofessional) recognized HIC Plan OPEB expense of \$80,326. At June 30, 2021, 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	-	-
Change in assumptions	-	-
Employer contributions subsequent to the measurement date	6,133	-
Total	\$ 6,133	\$ -

\$6,133 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, 2022. 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, 2021 (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 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-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, 2021 (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, 2021 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, 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 school division to the VRS Teacher Employee HIC Plan were \$141,147 and \$139,552 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the school division reported a liability of \$1,730,441 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, 2020 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, 2019 and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC Plan was 0.13265% as compared to 0.14320% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$109,143. 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, 2021, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 23,109
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	7,669	-
Change in assumptions	34,208	9,455
Change in proportion	-	181,038
Employer contributions subsequent to the measurement date	141,147	-
Total	\$ 183,024	\$ 213,602

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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)

\$141,147 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2022	\$	(32,569)
2023		(31,809)
2024		(32,063)
2025		(28,041)
2026		(20,374)
Thereafter		(26,869)

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, 2019, 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, 2020.

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*

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

Mortality Rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, 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	\$	1,448,676
Plan Fiduciary Net Position		144,160
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,304,516</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		9.95%

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

Net Teacher Employee HIC OPEB Liability: (Continued)

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is 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%.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, 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, 2020 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	\$	1,937,048	\$ 1,730,441	\$ 1,554,840

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 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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, 2021 (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, 2020 (measurement date), the following employees were covered by the benefit terms:

	<u>Primary Government</u>
Total active employees with coverage	74
Total retirees with coverage	<u>53</u>
Total	<u><u>127</u></u>

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, 2021 the City held assets amounting to \$505,613 for OPEB purposes. The City Council establishes employer contribution rates for plan participants as part of the budgetary process each year. Council also determines how the plan will be funded each year whether it will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. For retirees hired prior to July 1, 2000 with 15 years of uninterrupted service, the City pays 100% of the designated contribution towards the monthly single only coverage premium and the retiree contributes the remaining balance. Retirees hired on or after July 1, 2000 but prior to July 1, 2005, with 14 or less years of continuous service are not eligible for the designated contribution. For retirees hired in this same time frame with 15 through 19 years of continuous service, the City contributes 50% of the designated contribution and the retiree contributes the remaining balance. For retirees hired in this time frame with 20 or more years of continuous service, the City contributes 75% of the designated contribution and the retiree contributes the remaining balance. Retirees hired on or after July 1, 2005 are not eligible for the designated contribution.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

Primary Government: (Continued)

Total OPEB Liability

The City's total OPEB liability was measured as of July 1, 2020. 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	2.45%
Salary Scale	2.50%
Healthcare Cost Trend Rates:	6.75% for fiscal year end 2021, 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-2020.
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 2.45% as of the end of the fiscal year with the expectation that the City will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

		Primary Government Total OPEB Liability
Balances at June 30, 2020	\$	3,465,000
Changes for the year:		
Service cost		51,000
Interest		105,000
Difference between expected and actual experience		207,000
Benefit payments		(331,000)
Other changes		135,000
Net changes		167,000
Balances at June 30, 2021	\$	3,632,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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 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 (1.45%) or one percentage point higher (3.45%) than the current discount rate:

Rate		
1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
\$ 3,839,000	\$ 3,632,000	\$ 3,437,000

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

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current healthcare cost trend rates:

Rates		
1% Decrease (5.75%)	Healthcare Cost Trend (6.75%)	1% Increase (7.75%)
\$ 3,415,000	\$ 3,632,000	\$ 3,870,000

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

For the year ended June 30, 2021, the City recognized OPEB expense in the amount of \$485,000. At June 30, 2021, 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	\$ 115,000	\$ 4,000
Changes in assumptions	102,000	-
Total	\$ 217,000	\$ 4,000

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

Year Ended June 30	Primary Government
2022	\$ 175,000
2023	38,000
2024	-
2025	-
2026	-
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, 2021 (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, 2020 (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, 2021 (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, 2020. 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	2.45%
Salary Scale	2.50%
Healthcare Cost Trend Rates:	6.75% for fiscal year end 2021, 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-2020.
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 2.45% 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, 2020	\$	693,000
Changes for the year:		
Service cost		19,000
Interest		21,000
Difference between expected and actual experience		(197,000)
Benefit payments		(56,000)
Other changes		17,000
Net changes		(196,000)
Balances at June 30, 2021	\$	497,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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 (1.45%) or one percentage point higher (3.45%) than the current discount rate:

Rate		
1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
\$ 521,000	\$ 497,000	\$ 473,000

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 5.75% or one percentage point higher 7.75% than the current healthcare cost trend rates:

Rates		
1% Decrease (5.75%)	Healthcare Cost Trend (6.75%)	1% Increase (7.75%)
\$ 462,000	\$ 497,000	\$ 536,000

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

For the year ended June 30, 2021, the School Board recognized OPEB expense in the amount of \$11,000. At June 30, 2021, 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	\$ 20,000	\$ (137,000)
Changes in assumptions	22,000	(2,000)
Total	\$ 42,000	\$ (139,000)

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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:

<u>Year Ended June 30</u>	<u>Component Unit School Board</u>
2022	\$ (39,000)
2023	(45,000)
2024	(13,000)
2025	-
2026	-
Thereafter	-

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

Aggregate OPEB Information

	<u>Primary Government</u>			
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net/Total OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Plan (Note 15):				
City	\$ 231,177	\$ 63,747	\$ 1,095,346	\$ 32,762
City Stand-Alone Plan (Note 18)	217,000	4,000	3,632,000	485,000
Totals	<u>\$ 448,177</u>	<u>\$ 67,747</u>	<u>\$ 4,727,346</u>	<u>\$ 517,762</u>
	<u>Component Unit School Board</u>			
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Plan (Note 15):				
School Board Nonprofessional	\$ 6,895	\$ 7,905	\$ 33,543	\$ (32)
School Board Professional	199,381	114,191	945,562	16,720
Nonprofessional Health Insurance Credit Plan (Note 16)	6,133	-	80,326	80,326
Teacher Health Insurance Credit Plan (Note 17)	183,024	213,602	1,730,441	109,143
School Stand-Alone Plan (Note 18)	42,000	139,000	497,000	11,000
Totals	<u>\$ 437,433</u>	<u>\$ 474,698</u>	<u>\$ 3,286,872</u>	<u>\$ 217,157</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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—Restatement of Beginning Balances:

The City restated beginning balances as follows:

	<u>General Fund</u>	<u>Component-Unit School Board School Activity Fund</u>
Fund Balance at June 30, 2020, as previously reported	\$ 6,960,953	\$ -
Adoption of GASB 84	<u>180,983</u>	<u>150,198</u>
Fund Balance at June 30, 2020, as restated	<u>\$ 7,141,936</u>	<u>\$ 150,198</u>

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Component-Unit School Board</u>
Net Position at June 30, 2020, as previously reported	\$ 940,919	\$ -	\$ (8,999,864)
Adoption of GASB 84	<u>180,983</u>	<u>1,191,580</u>	<u>150,198</u>
Net Position at June 30, 2020, as restated	<u>\$ 1,121,902</u>	<u>\$ 1,191,580</u>	<u>\$ (8,849,666)</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 21—Commitments and Contingencies:

At June 30, 2021, the City had the following contract commitment:

<u>Project</u>	<u>Contract Amount</u>	<u>Expenditures to Date</u>	<u>Balance of Contract</u>
Beaver Creek Spillway Improvements	\$ 2,498,154	\$ 2,454,760	\$ 43,394

Note 22—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.

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 2021 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 2022.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

Note 22—Subsequent Events: (Continued)

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The City received total CRF funding of \$2,190,576. In addition, the School Board received CRF funding from the Virginia Department of Education in the amount of \$306,005. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. Unspent CRF funds in the amount of \$18,111 are reported as unearned revenue as of June 30.

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.

On June 30, 2021, the City received its share of the first half of the CSLFRF funds. 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 \$6,512,492 from the initial allocation are reported as unearned revenue as of June 30.

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

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Required Supplementary Information

Note to Required Supplementary Information:

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

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General Fund

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

For the Year Ended June 30, 2021

	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 9,081,200	\$ 9,081,200	\$ 9,762,106	\$ 680,906
Other local taxes	5,123,600	5,123,600	5,930,348	806,748
Permits, privilege fees and regulatory licenses	79,450	79,450	82,265	2,815
Fines and forfeitures	112,000	112,000	92,397	(19,603)
Revenue from use of money and property	1,169,887	1,196,551	1,179,505	(17,046)
Charges for services	2,576,216	2,576,216	2,221,781	(354,435)
Miscellaneous	553,523	558,773	544,762	(14,011)
Recovered costs	2,182,695	2,307,811	2,312,178	4,367
Intergovernmental:				
Commonwealth	9,682,703	10,132,615	10,856,857	724,242
Federal	138,219	2,207,657	2,323,351	115,694
Total revenues	\$ 30,699,493	\$ 33,375,873	\$ 35,305,550	\$ 1,929,677
Expenditures:				
Current:				
General government administration	\$ 4,650,420	\$ 4,660,420	\$ 4,738,100	\$ (77,680)
Judicial administration	2,778,903	2,848,009	2,572,521	275,488
Public safety	11,093,247	12,005,371	10,646,394	1,358,977
Public works	4,583,818	5,892,281	5,744,619	147,662
Health and welfare	1,030,443	1,030,443	1,381,590	(351,147)
Education	6,064,850	6,064,850	4,109,180	1,955,670
Parks, recreation, and cultural	903,299	910,433	841,469	68,964
Community development	3,214,599	4,320,782	4,268,347	52,435
Total expenditures	\$ 34,319,579	\$ 37,732,589	\$ 34,302,220	\$ 3,430,369
Excess (deficiency) of revenues over (under) expenditures	\$ (3,620,086)	\$ (4,356,716)	\$ 1,003,330	\$ 5,360,046
Other financing sources (uses):				
Transfers in	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ -
Transfers (out)	-	(352,190)	(352,190)	-
Total other financing sources (uses)	\$ 2,000,000	\$ 1,647,810	\$ 1,647,810	\$ -
Changes in fund balances	\$ (1,620,086)	\$ (2,708,906)	\$ 2,651,140	\$ 5,360,046
Fund balances at beginning of year, as restated	1,620,086	2,708,906	7,141,936	4,433,030
Fund balances at end of year	\$ -	\$ -	\$ 9,793,076	\$ 9,793,076

Schedule of Employer's Proportionate Share of the Net Pension Liability
VRS Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2020

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - City Retirement Plan					
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)					
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.

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, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 40,331	\$ 47,066	\$ 45,512	\$ 41,329	\$ 45,589	\$ 54,322	\$ 56,141
Interest	271,048	275,813	271,267	279,172	282,746	283,560	284,255
Changes of assumptions	-	91,229	-	11,088	-	-	-
Differences between expected and actual experience	29,332	3,332	86,439	(100,879)	(43,743)	(5,140)	-
Benefit payments, including refunds of employee contributions	(354,242)	(329,941)	(346,627)	(340,625)	(330,699)	(358,029)	(342,606)
Net change in total pension liability	\$ (13,531)	\$ 87,499	\$ 56,591	\$ (109,915)	\$ (46,107)	\$ (25,287)	\$ (2,210)
Total pension liability - beginning	4,192,653	4,105,154	4,048,563	4,158,478	4,204,585	4,229,872	4,232,082
Total pension liability - ending (a)	\$ 4,179,122	\$ 4,192,653	\$ 4,105,154	\$ 4,048,563	\$ 4,158,478	\$ 4,204,585	\$ 4,229,872
Plan fiduciary net position							
Contributions - employer	\$ 94,136	\$ 111,669	\$ 128,396	\$ 127,356	\$ 113,958	\$ 110,982	\$ 119,537
Contributions - employee	18,988	22,489	21,938	21,782	20,903	21,192	25,188
Net investment income	49,077	169,498	192,350	301,389	42,268	123,775	399,239
Benefit payments, including refunds of employee contributions	(354,242)	(329,941)	(346,627)	(340,625)	(330,699)	(358,029)	(342,606)
Administrative expense	(1,856)	(1,856)	(1,789)	(1,891)	(1,784)	(1,895)	(2,295)
Other	(55)	(106)	(166)	(262)	(19)	(23)	21
Net change in plan fiduciary net position	\$ (193,952)	\$ (28,247)	\$ (5,898)	\$ 107,749	\$ (155,373)	\$ (103,998)	\$ 199,084
Plan fiduciary net position - beginning	2,643,651	2,671,898	2,677,796	2,570,047	2,725,420	2,829,418	2,630,334
Plan fiduciary net position - ending (b)	\$ 2,449,699	\$ 2,643,651	\$ 2,671,898	\$ 2,677,796	\$ 2,570,047	\$ 2,725,420	\$ 2,829,418
School Division's net pension liability - ending (a) - (b)	\$ 1,729,423	\$ 1,549,002	\$ 1,433,256	\$ 1,370,767	\$ 1,588,431	\$ 1,479,165	\$ 1,400,454
Plan fiduciary net position as a percentage of the total pension liability	58.62%	63.05%	65.09%	66.14%	61.80%	64.82%	66.89%
Covered payroll	\$ 413,317	\$ 488,976	\$ 476,016	\$ 470,771	\$ 442,484	\$ 426,964	\$ 503,742
School Division's net pension liability as a percentage of covered payroll	418.43%	316.78%	301.09%	291.17%	358.98%	346.44%	278.01%

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

Schedule of Employer Contributions

VRS Pension Plan

For the Years Ended June 30, 2012 through June 30, 2021

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					
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%
2012	2,009,573	2,009,573	-	12,622,949	15.92%
Component Unit School Board (nonprofessional)					
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%
2012	87,135	87,135	-	512,559	17.00%
Component Unit School Board (professional)					
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%
2012	735,293	735,293	-	11,615,998	6.33%

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

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, 2020

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
Primary Government:					
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):					
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):					
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, 2012 through June 30, 2021

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					
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%
2012	32,503	32,503	-	11,608,253	0.28%
Component Unit School Board (nonprofessional)					
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%
2012	1,435	1,435	-	512,559	0.28%
Component Unit School Board (professional)					
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%
2012	32,568	32,568	-	11,631,466	0.28%

Notes to Required Supplementary Information
Group Life Insurance (GLI) 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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

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

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of 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 Date of June 30, 2020

	2020
Total HIC OPEB Liability	
Service cost	\$ -
Interest	-
Changes in benefit terms	80,326
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	-
Net change in total HIC OPEB liability	\$ 80,326
Total HIC OPEB Liability - beginning	-
Total HIC OPEB Liability - ending (a)	\$ 80,326
Plan fiduciary net position	
Contributions - employer	\$ -
Net investment income	-
Benefit payments	-
Administrator charges	-
Other	-
Net change in plan fiduciary net position	\$ -
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	\$ -
School's net HIC OPEB liability - ending (a) - (b)	\$ 80,326
Plan fiduciary net position as a percentage of the total HIC OPEB liability	0.00%
Covered payroll	\$ N/A
School's net HIC OPEB liability as a percentage of covered payroll	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 Year Ended June 30, 2021

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 Payroll (5)
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, 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, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

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

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, 2020

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
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, 2012 through June 30, 2021

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)
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%
2012	69,696	69,696	-	11,615,998	0.60%

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

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

Schedule of Changes in Total OPEB Liability and Related Ratios
City and School OPEB Plan
For the Years Ended June 30, 2018 through June 30, 2021

	2021	2020	2019	2018
Primary Government:				
Total OPEB liability				
Service cost	\$ 51,000	46,000	\$ 69,000	\$ 67,000
Interest	105,000	125,000	114,000	118,000
Differences between expected and actual experience	207,000	(14,000)	264,000	-
Changes of assumptions	-	97,000	230,000	-
Benefit payments, including refunds of employee contributions	(331,000)	(397,000)	(375,000)	(241,000)
Other changes	135,000	-	-	-
Net change in total OPEB liability	\$ 167,000	(143,000)	\$ 302,000	\$ (56,000)
Total OPEB liability - beginning	3,465,000	3,608,000	3,306,000	3,362,000
Total OPEB liability - ending	<u>\$ 3,632,000</u>	<u>3,465,000</u>	<u>\$ 3,608,000</u>	<u>\$ 3,306,000</u>
Covered-employee payroll	\$ 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	87.18%	61.86%	64.42%	44.51%
Component Unit School Board:				
Total OPEB liability				
Service cost	\$ 19,000	19,000	\$ 23,000	\$ 22,000
Interest	21,000	24,000	25,000	26,000
Differences between expected and actual experience	(197,000)	19,000	38,000	-
Changes of assumptions	-	18,000	(11,000)	-
Benefit payments, including refunds of employee contributions	(56,000)	(88,000)	(108,000)	(48,000)
Other changes	17,000	-	-	-
Net change in total OPEB liability	\$ (196,000)	(8,000)	\$ (33,000)	\$ -
Total OPEB liability - beginning	693,000	701,000	734,000	734,000
Total OPEB liability - ending	<u>\$ 497,000</u>	<u>693,000</u>	<u>\$ 701,000</u>	<u>\$ 734,000</u>
Covered-employee payroll	\$ 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	19.38%	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, 2021

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

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	2.45%
Salary Scale	2.50%
Healthcare Trend Rate	6.75% for fiscal year end 2021, 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-2020

Other Supplementary Information

Combining and Individual Fund Financial Statements and Schedules

Meals Tax Fund

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

For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Other local taxes	\$ 1,710,000	\$ 1,710,000	\$ 2,163,683	\$ 453,683
Intergovernmental:				
Federal	<u>371,930</u>	<u>371,930</u>	<u>372,721</u>	<u>791</u>
Total revenues	<u>\$ 2,081,930</u>	<u>\$ 2,081,930</u>	<u>\$ 2,536,404</u>	<u>\$ 454,474</u>
Expenditures:				
Current:				
General government administration	\$ 56,350	\$ 56,350	\$ 56,352	\$ (2)
Debt service:				
Principal retirement	1,076,458	1,076,458	1,076,458	-
Interest and other fiscal charges	<u>448,664</u>	<u>448,664</u>	<u>448,664</u>	<u>-</u>
Total expenditures	<u>\$ 1,581,472</u>	<u>\$ 1,581,472</u>	<u>\$ 1,581,474</u>	<u>\$ (2)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 500,458</u>	<u>\$ 500,458</u>	<u>\$ 954,930</u>	<u>\$ 454,472</u>
Other financing sources (uses):				
Transfers (out)	<u>\$ (500,458)</u>	<u>\$ (500,458)</u>	<u>\$ (500,458)</u>	<u>\$ -</u>
Changes in fund balances	\$ -	\$ -	\$ 454,472	\$ 454,472
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>558,504</u>	<u>558,504</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,012,976</u></u>	<u><u>\$ 1,012,976</u></u>

Nonmajor Governmental Funds
Combining Balance Sheet
At June 30, 2021

	Special Revenue Funds		Capital Projects Fund	
	City Grants Fund	CARES Fund	Capital Reserve Fund	Total
ASSETS				
Cash and cash equivalents	\$ 123,701	\$ -	\$ 407,711	\$ 531,412
Total assets	\$ 123,701	\$ -	\$ 407,711	\$ 531,412
LIABILITIES				
Accounts payable and other current liabilities	\$ 15,027	\$ -	\$ 14,413	\$ 29,440
Total liabilities	\$ 15,027	\$ -	\$ 14,413	\$ 29,440
FUND BALANCES				
Assigned:				
Capital reserve fund	\$ -	\$ -	\$ 393,298	\$ 393,298
Special revenue	108,674	-	-	108,674
Total fund balances	\$ 108,674	\$ -	\$ 393,298	\$ 501,972
Total liabilities and fund balances	\$ 123,701	\$ -	\$ 407,711	\$ 531,412

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2021

	Special Revenue Funds		Capital Projects Fund	
	City Grants Fund	CARES Fund	Capital Reserve Fund	Total
Revenues:				
Revenue from use of money and property	\$ 19,317	\$ -	\$ 43	\$ 19,360
Intergovernmental:				
Federal	-	1,845,102	-	1,845,102
Total revenues	\$ 19,317	\$ 1,845,102	\$ 43	\$ 1,864,462
Expenditures:				
General government administration	\$ -	\$ 262,365	\$ 164,678	\$ 427,043
Public safety	-	932,127	682,537	1,614,664
Public works	-	-	183,706	183,706
Planning and community development	1,313	650,610	-	651,923
Debt service:				
Principal retirement	-	-	313,231	313,231
Interest and fiscal charges	-	-	48,162	48,162
Total expenditures	\$ 1,313	\$ 1,845,102	\$ 1,402,004	\$ 3,248,419
Excess (deficiency) of revenues over (under) expenditures	\$ 18,004	\$ -	\$ (1,401,961)	\$ (1,383,957)
Other financing sources:				
Transfers in	\$ -	\$ -	\$ 852,648	\$ 852,648
Total other financing sources	\$ -	\$ -	\$ 852,648	\$ 852,648
Changes in fund balances	\$ 18,004	\$ -	\$ (549,313)	\$ (531,309)
Fund balances at beginning of year	90,670	-	942,611	1,033,281
Fund balances at end of year	\$ 108,674	\$ -	\$ 393,298	\$ 501,972

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, 2021

	Special Revenue Funds			
	City Grants Fund			Variance
	Original Budget	Budget As Amended	Actual	From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	\$ 22,666	\$ 22,666	\$ 19,317	\$ (3,349)
Intergovernmental:				
Federal	-	-	-	-
Total revenues	\$ 22,666	\$ 22,666	\$ 19,317	\$ (3,349)
Expenditures:				
General government administration	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	-	-
Parks, recreation, and cultural	-	-	-	-
Community development	1,436	1,436	1,313	123
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	\$ 1,436	\$ 1,436	\$ 1,313	\$ 123
Excess (deficiency) of revenues over (under) expenditures	\$ 21,230	\$ 21,230	\$ 18,004	\$ (3,226)
Other financing sources (uses):				
Transfers in	-	-	-	-
Changes in fund balances	\$ 21,230	\$ 21,230	\$ 18,004	\$ (3,226)
Fund balances at beginning of year	(21,230)	(21,230)	90,670	111,900
Fund balances at end of year	\$ -	\$ -	\$ 108,674	\$ 108,674

Special Revenue Funds				Capital Projects Fund			
CARES Fund				Capital Reserve Fund			
Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ 30	\$ 30	\$ 43	\$ 13
-	1,149,533	1,845,102	695,569	-	-	-	-
\$ -	\$ 1,149,533	\$ 1,845,102	\$ 695,569	\$ 30	\$ 30	\$ 43	\$ 13
\$ -	\$ 188,219	\$ 262,365	\$ (74,146)	\$ 70,000	\$ 248,478	\$ 164,678	\$ 83,800
-	566,150	932,127	(365,977)	41,652	777,540	682,537	95,003
-	-	-	-	28,050	259,849	183,706	76,143
-	-	-	-	-	9,500	9,690	-190
-	395,164	650,610	(255,446)	-	-	-	-
-	-	-	-	313,231	313,231	313,231	-
-	-	-	-	48,162	48,162	48,162	-
\$ -	\$ 1,149,533	\$ 1,845,102	\$ (695,569)	\$ 501,095	\$ 1,656,760	\$ 1,402,004	\$ 254,756
\$ -	\$ -	\$ -	\$ -	\$ (501,065)	\$ (1,656,730)	\$ (1,401,961)	\$ 254,769
-	-	-	-	500,458	852,648	852,648	-
\$ -	\$ -	\$ -	\$ -	\$ (607)	\$ (804,082)	\$ (549,313)	\$ 254,769
-	-	-	-	607	804,082	942,611	138,529
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 393,298	\$ 393,298

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Combining Statement of Fiduciary Net Position -
Custodial Funds
At June 30, 2021

	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	\$ 505,613	\$ 28,402	\$ 421,711	\$ 143,495	\$ 358,949	\$ 81,921	\$ 1,540,091
Total assets	<u>\$ 505,613</u>	<u>\$ 28,402</u>	<u>\$ 421,711</u>	<u>\$ 143,495</u>	<u>\$ 358,949</u>	<u>\$ 81,921</u>	<u>\$ 1,540,091</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 11,901	\$ 5,392	\$ 101,140	\$ 3,526	\$ 121,959
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,901</u>	<u>\$ 5,392</u>	<u>\$ 101,140</u>	<u>\$ 3,526</u>	<u>\$ 121,959</u>
NET POSITION							
Restricted for:							
Retiree benefits	\$ 505,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 505,613
Inmates	-	28,402	-	-	-	-	28,402
Piedmont Regional Criminal Justice Training Academy	-	-	409,810	-	-	-	409,810
Southern Virginia Recreation Facility Authority	-	-	-	138,103	-	-	138,103
Blue Ridge Regional Library	-	-	-	-	257,809	-	257,809
Dan River ASAP	-	-	-	-	-	78,395	78,395
Total net position	<u>505,613</u>	<u>28,402</u>	<u>409,810</u>	<u>138,103</u>	<u>257,809</u>	<u>78,395</u>	<u>1,418,132</u>
Total liabilities and net position	<u>505,613</u>	<u>28,402</u>	<u>421,711</u>	<u>143,495</u>	<u>358,949</u>	<u>81,921</u>	<u>1,540,091</u>

CITY OF MARTINSVILLE VIRGINIA

Custodial Funds

Combining Statement of Changes in Fiduciary Net Position - Custodial Funds For the Year Ended June 30, 2021

	<u>Insurance Trust Fund</u>	<u>Inmate Trust Fund</u>
ADDITIONS		
Retiree and City contributions	\$ 4,741,904	\$ -
Interest income	318	-
Collections for inmates	-	479,693
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>4,742,222</u>	\$ <u>479,693</u>
DEDUCTIONS		
Retiree benefits	\$ 4,669,590	\$ -
Disbursements for inmates	-	456,432
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>4,669,590</u>	\$ <u>456,432</u>
Net increase (decrease) in fiduciary net position	\$ <u>72,632</u>	\$ <u>23,261</u>
Net position, beginning of year, as restated	\$ <u>432,981</u>	\$ <u>5,141</u>
Net position, end of year	\$ <u><u>505,613</u></u>	\$ <u><u>28,402</u></u>

Exhibit 32

Police Academy Fund	Southern Virginia Recreation Facility Authority Fund	Blue Ridge Regional Library Fund	Dan River ASAP Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 4,741,904
-	-	6,270	579	7,167
-	-	-	-	479,693
423,255	-	-	-	423,255
-	543,130	-	-	543,130
-	-	1,810,128	-	1,810,128
-	-	-	216,344	216,344
<u>\$ 423,255</u>	<u>\$ 543,130</u>	<u>\$ 1,816,398</u>	<u>\$ 216,923</u>	<u>\$ 8,221,621</u>
\$ -	\$ -	\$ -	-	\$ 4,669,590
-	-	-	-	456,432
365,235	-	-	-	365,235
-	473,274	-	-	473,274
-	-	1,804,028	-	1,804,028
-	-	-	226,510	226,510
<u>\$ 365,235</u>	<u>\$ 473,274</u>	<u>\$ 1,804,028</u>	<u>\$ 226,510</u>	<u>\$ 7,995,069</u>
<u>\$ 58,020</u>	<u>\$ 69,856</u>	<u>\$ 12,370</u>	<u>\$ (9,587)</u>	<u>226,552</u>
<u>\$ 351,790</u>	<u>\$ 68,247</u>	<u>\$ 245,439</u>	<u>\$ 87,982</u>	<u>\$ 1,191,580</u>
<u>\$ 409,810</u>	<u>\$ 138,103</u>	<u>\$ 257,809</u>	<u>\$ 78,395</u>	<u>\$ 1,418,132</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, 2021

	School Operating Fund	School Cafeteria Fund	School Grants Fund	School Activity Fund	Totals
ASSETS					
Cash and cash equivalents	\$ -	\$ 1,903,245	\$ -	\$ 169,146	\$ 2,072,391
Due from other governments	1,456,521	38,853	1,395,114	-	2,890,488
Due from other funds	1,223,748	-	-	-	1,223,748
Total assets	<u>\$ 2,680,269</u>	<u>\$ 1,942,098</u>	<u>\$ 1,395,114</u>	<u>\$ 169,146</u>	<u>\$ 6,186,627</u>
LIABILITIES					
Reconciled overdraft	\$ 286,976	\$ -	\$ -	\$ -	\$ 286,976
Accounts payable	969,549	19,985	21,469	-	1,011,003
Accrued liabilities	979,328	26,761	77,763	-	1,083,852
Due to primary government	444,416	-	-	-	444,416
Due to other funds	-	-	1,223,748	-	1,223,748
Total liabilities	<u>\$ 2,680,269</u>	<u>\$ 46,746</u>	<u>\$ 1,322,980</u>	<u>\$ -</u>	<u>\$ 4,049,995</u>
FUND BALANCES					
Committed:					
School food program	\$ -	\$ 1,895,352	\$ -	\$ -	\$ 1,895,352
Education	-	-	72,134	169,146	241,280
Total fund balances	<u>\$ -</u>	<u>\$ 1,895,352</u>	<u>\$ 72,134</u>	<u>\$ 169,146</u>	<u>\$ 2,136,632</u>
Total liabilities and fund balances	<u>\$ 2,680,269</u>	<u>\$ 1,942,098</u>	<u>\$ 1,395,114</u>	<u>\$ 169,146</u>	<u>\$ 6,186,627</u>

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

Total Fund balances, above \$ 2,136,632

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. 12,445,215

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	\$ 4,846,099	
OPEB items	<u>437,433</u>	5,283,532

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

Details supporting this adjustment are as follows:

Net pension liability	(21,087,326)
Net OPEB liability - group life insurance	(979,105)
Net OPEB liability - health insurance credit	(1,810,767)
Total Pay-as-you-Go OPEB liability	<u>(497,000)</u>

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

Deferred inflows related to:

Pension items	\$ (2,832,152)	
OPEB items	<u>(474,698)</u>	(3,306,850)

Net position of General Government Activities \$ (7,815,669)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2021

	School Operating Fund	School Cafeteria Fund	School Grants Fund	School Activity Fund	Total
Revenues:					
Revenue from use of money and property	\$ 11,824	\$ 36,200	\$ -	\$ -	\$ 48,024
Charges for services	-	8,496	-	-	8,496
Miscellaneous	315,158	-	-	61,760	376,918
Recovered costs	429,306	-	-	-	429,306
Intergovernmental:					
Local government	4,089,345	-	-	-	4,089,345
Commonwealth	16,429,808	66,815	-	-	16,496,623
Federal	2,476,583	1,399,682	1,958,008	-	5,834,273
Total revenues	\$ 23,752,024	\$ 1,511,193	\$ 1,958,008	\$ 61,760	\$ 27,282,985
Expenditures:					
Current:					
Education	\$ 23,754,808	\$ 1,454,929	\$ 1,900,451	\$ 42,812	\$ 27,153,000
Total expenditures	\$ 23,754,808	\$ 1,454,929	\$ 1,900,451	\$ 42,812	\$ 27,153,000
Other financing sources (uses):					
Insurance recoveries	\$ 2,784	\$ -	\$ -	\$ -	\$ 2,784
Total other financing sources (uses)	\$ 2,784	\$ -	\$ -	\$ -	\$ 2,784
Changes in fund balances	\$ -	\$ 56,264	\$ 57,557	\$ 18,948	\$ 132,769
Fund balances at beginning of year, as restated	-	1,839,088	14,577	150,198	2,003,863
Fund balances at end of year	\$ -	\$ 1,895,352	\$ 72,134	\$ 169,146	\$ 2,136,632

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, 2021

Net changes in fund balances - total governmental funds	\$	132,769
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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:

Depreciation expense	\$ (648,055)	(648,055)
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Transfer of joint tenancy assets from Primary Government to Component Unit School Board	1,076,458
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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	\$ (28,523)	
OPEB items	<u>(265,482)</u>	(294,005)

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	\$ 1,077,416	
OPEB items	8,732	
Change in net pension liability	(638,432)	
Change in net OPEB liability - group life insurance	59,254	
Change in net OPEB liability - health insurance credit	63,860	
Change in total Pay-as-you-Go OPEB liability	<u>196,000</u>	<u>766,830</u>

Changes in net position of governmental activities	\$ <u>1,033,997</u>
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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, 2021

	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	\$ -	\$ -	\$ 11,824	\$ 11,824	\$ 50,000	\$ 50,000	\$ 36,200	\$ (13,800)
Charges for services	-	-	-	-	165,000	165,000	8,496	(156,504)
Miscellaneous	-	312,314	315,158	2,844	-	-	-	-
Recovered costs	355,730	511,730	429,306	(82,424)	-	-	-	-
Intergovernmental:								
Local government	6,045,015	6,045,015	4,089,345	(1,955,670)	-	-	-	-
Commonwealth	15,423,136	15,673,815	16,429,808	755,993	47,447	47,447	66,815	19,368
Federal	42,235	5,390,275	2,476,583	(2,913,692)	1,365,000	1,365,000	1,399,682	34,682
Total revenues	\$ 21,866,116	\$ 27,933,149	\$ 23,752,024	\$ (4,181,125)	\$ 1,627,447	\$ 1,627,447	\$ 1,511,193	\$ (116,254)
Expenditures:								
Current:								
Education	\$ 21,866,116	\$ 28,251,939	\$ 23,754,808	\$ 4,497,131	\$ 1,714,660	\$ 1,714,660	\$ 1,454,929	\$ 259,731
Total expenditures	\$ 21,866,116	\$ 28,251,939	\$ 23,754,808	\$ 4,497,131	\$ 1,714,660	\$ 1,714,660	\$ 1,454,929	\$ 259,731
Excess (deficiency) of revenues over expenditures	\$ -	\$ (318,790)	\$ (2,784)	\$ 316,006	\$ (87,213)	\$ (87,213)	\$ 56,264	\$ 143,477
Other financing sources (uses):								
Insurance recoveries	\$ -	\$ -	\$ 2,784	\$ (2,784)	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ 2,784	\$ (2,784)	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ -	\$ (318,790)	\$ -	\$ 313,222	\$ (87,213)	\$ (87,213)	\$ 56,264	\$ 143,477
Fund balances at beginning of year, as restated	-	318,790	-	(318,790)	87,213	87,213	1,839,088	1,751,875
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,895,352	\$ 1,895,352

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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	61,760	61,760
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,159,452	1,958,008	(201,444)	-	-	-	-
\$ -	\$ 2,159,452	\$ 1,958,008	\$ (201,444)	\$ -	\$ -	\$ 61,760	\$ 61,760
\$ -	\$ 2,159,452	\$ 1,900,451	\$ 259,001	\$ -	\$ -	\$ 42,812	\$ (42,812)
\$ -	\$ 2,159,452	\$ 1,900,451	\$ 259,001	\$ -	\$ -	\$ 42,812	\$ (42,812)
\$ -	\$ -	\$ 57,557	\$ 57,557	\$ -	\$ -	\$ 18,948	\$ 18,948
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ 57,557	\$ 57,557	\$ -	\$ -	\$ 18,948	\$ 18,948
-	-	14,577	14,577	-	-	150,198	150,198
\$ -	\$ -	\$ 72,134	\$ 72,134	\$ -	\$ -	\$ 169,146	\$ 169,146

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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, 2021

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,545,000	\$ 6,545,000	\$ 6,881,223	\$ 336,223
Real and personal public service corporation taxes	261,200	261,200	286,485	25,285
Personal property taxes	915,000	915,000	985,653	70,653
Business equipment	990,000	990,000	1,121,033	131,033
Machinery and tools taxes	123,000	123,000	123,871	871
Penalties	120,000	120,000	164,483	44,483
Interest and costs	127,000	127,000	199,358	72,358
Total general property taxes	\$ 9,081,200	\$ 9,081,200	\$ 9,762,106	\$ 680,906
Other local taxes:				
Local sales and use taxes	\$ 1,801,200	\$ 1,801,200	\$ 2,346,936	\$ 545,736
Consumers' utility taxes	654,300	654,300	568,104	(86,196)
Business license tax	1,800,000	1,800,000	1,943,342	143,342
Franchise license taxes	20,000	20,000	20,000	-
Motor vehicle licenses	335,000	335,000	342,578	7,578
Bank franchise tax	310,000	310,000	442,899	132,899
Taxes on recordation and wills	45,000	45,000	123,292	78,292
Grantor tax	16,000	16,000	18,939	2,939
Cigarette tax	130,000	130,000	108,824	(21,176)
Rental tax	100	100	85	(15)
Transient room tax	12,000	12,000	15,349	3,349
Total other local taxes	\$ 5,123,600	\$ 5,123,600	\$ 5,930,348	\$ 806,748
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 3,500	\$ 3,500	\$ 3,703	\$ 203
Other permits and licenses	75,950	75,950	78,562	2,612
Total permits, privilege fees and regulatory licenses	\$ 79,450	\$ 79,450	\$ 82,265	\$ 2,815
Fines and Forfeitures:				
Court fines and forfeitures	\$ 100,000	\$ 100,000	\$ 83,438	\$ (16,562)
Other fines and forfeitures	12,000	12,000	8,959	(3,041)
Total fines and forfeitures	\$ 112,000	\$ 112,000	\$ 92,397	\$ (19,603)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

For the Year Ended June 30, 2021 (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	\$ 350,020	\$ 350,020	\$ 308,010	\$ (42,010)
Revenue from use of property	819,867	846,531	871,495	24,964
Total revenue from use of money and property	\$ 1,169,887	\$ 1,196,551	\$ 1,179,505	\$ (17,046)
Charges for services:				
Sheriff fees	\$ 3,624	\$ 3,624	\$ 3,624	\$ -
Courthouse maintenance fees	7,000	7,000	4,735	(2,265)
Court appointed attorney fees	8,000	8,000	4,617	(3,383)
Court house security fees	20,000	20,000	24,227	4,227
Ambulance Fees	625,000	625,000	459,855	(165,145)
Document reproduction fee	1,800	1,800	865	(935)
Remote access fee	10,000	10,000	6,816	(3,184)
Commonwealth attorney fees	4,000	4,000	3,792	(208)
Other public safety fees	8,000	8,000	7,367	(633)
Recreation fees	2,500	2,500	-	(2,500)
Prison farm labor / street maintenance	24,000	24,000	24,000	-
Telecom services	1,825,292	1,825,292	1,534,170	(291,122)
Other charges for services	37,000	37,000	147,713	110,713
Total charges for services	\$ 2,576,216	\$ 2,576,216	\$ 2,221,781	\$ (354,435)
Miscellaneous:				
Payment in lieu of tax	\$ 511,523	\$ 511,523	\$ 511,523	\$ -
Other miscellaneous revenue	42,000	47,250	33,239	(14,011)
Total miscellaneous	\$ 553,523	\$ 558,773	\$ 544,762	\$ (14,011)
Recovered costs:				
WW Moore	\$ 25,000	\$ 25,000	\$ 33,077	\$ 8,077
SSI / LIDS	4,000	4,000	8,400	4,400
Circuit court and J&DR court	1,000	1,000	7,403	6,403
Meals tax administration	56,350	56,350	56,350	-
Street maintenance overhead	440,452	440,452	440,452	-
Demolition	3,000	3,000	2,197	(803)
Advance / recovered cost	100,000	217,978	190,918	(27,060)
Health department	5,000	5,000	3,989	(1,011)
Juror and witness	5,000	5,000	-	(5,000)
Sheriff	-	-	6,970	6,970
Medical co-pay reimbursement	5,000	5,000	9,094	4,094
Treasurer	17,000	17,000	17,840	840
Project lifesaver	1,000	1,000	1,615	615

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2021 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Recovered costs: (Continued)				
Traffic reimbursement	\$ 500	\$ 500	\$ 816	\$ 316
Telecom recovered costs	80,000	82,787	113,100	30,313
Collection expense	77,842	77,842	77,842	-
Billing expense	360,242	360,242	360,242	-
Safety expense	28,734	28,734	28,734	-
Communication	10,399	10,399	10,399	-
Public safety	45,000	45,000	21,175	(23,825)
Inmate fees	75,000	75,000	86,436	11,436
Crisis intervention team	40,000	40,000	39,430	(570)
Central garage	109,325	109,325	109,325	-
Other central services	651,126	651,126	651,126	-
Senior citizens	6,000	10,351	5,773	(4,578)
Social services	23,525	23,525	23,525	-
Program income	1,200	1,200	1,581	381
EMS Training	5,000	5,000	-	(5,000)
Senior citizens - transportation	2,400	2,400	769	(1,631)
Fiscal agent fees - regional library	3,600	3,600	3,600	-
Total recovered costs	\$ 2,182,695	\$ 2,307,811	\$ 2,312,178	\$ 4,367
Total revenue from local sources	\$ 20,878,571	\$ 21,035,601	\$ 22,125,342	\$ 1,089,741
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 8,400	\$ 8,400	\$ 8,195	\$ (205)
Recordation tax	15,000	15,000	-	(15,000)
PPTRA	626,428	626,428	626,428	-
Communications tax	725,000	725,000	681,836	(43,164)
Games of skill tax	-	-	10,368	10,368
Auto rental tax	90,000	90,000	109,909	19,909
Total noncategorical aid	\$ 1,464,828	\$ 1,464,828	\$ 1,436,736	\$ (28,092)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 527,958	\$ 527,958	\$ 513,367	\$ (14,591)
Sheriff	2,018,105	2,018,105	2,006,490	(11,615)
Commissioner of the Revenue	110,043	110,043	110,740	697
Treasurer	92,846	92,846	92,993	147
Registrar/electoral board	41,750	41,750	39,383	(2,367)
Clerk of the circuit court	319,734	319,734	333,714	13,980
Total shared expenses	\$ 3,110,436	\$ 3,110,436	\$ 3,096,687	\$ (13,749)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2021 (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	\$ 12,663	\$ 13,269	\$ 606
Confiscated assets	-	34,395	34,397	2
Victim witness	28,240	28,240	23,603	(4,637)
House Bill # 599 - police	972,429	972,429	966,185	(6,244)
EMS four for life	10,000	12,431	12,421	(10)
Fire grant	39,000	52,672	52,672	-
Street maintenance	3,397,770	3,397,770	3,516,560	118,790
Jail per diem	300,000	300,000	294,600	(5,400)
Comprehensive services	350,000	350,000	490,014	140,014
VDOT highway projects	-	129,414	129,415	1
Other categorical aid	-	267,337	790,298	522,961
Total other categorical aid	\$ 5,107,439	\$ 5,557,351	\$ 6,323,434	\$ 766,083
Total categorical aid	\$ 8,217,875	\$ 8,667,787	\$ 9,420,121	\$ 752,334
Total revenue from the Commonwealth	\$ 9,682,703	\$ 10,132,615	\$ 10,856,857	\$ 724,242
Revenue from the federal government:				
Categorical aid:				
Victim witness	\$ 84,719	\$ 84,719	\$ 70,810	\$ (13,909)
Confiscated assets	-	321,011	321,011	-
DMV grant - police	12,000	12,000	7,332	(4,668)
Senior citizens	20,000	20,000	47,448	27,448
Viper overtime grant	9,000	9,000	4,050	(4,950)
Brownfields grant	-	194,770	194,769	(1)
Street construction	-	868,228	868,228	-
FEMA	7,500	32,304	7,500	(24,804)
Coronavirus relief funds - broadband	-	502,344	502,344	-
Other categorical aid	5,000	163,281	299,859	136,578
Total categorical aid	\$ 138,219	\$ 2,207,657	\$ 2,323,351	\$ 115,694
Total revenue from the Federal Government	\$ 138,219	\$ 2,207,657	\$ 2,323,351	\$ 115,694
Total General Fund	\$ 30,699,493	\$ 33,375,873	\$ 35,305,550	\$ 1,929,677
Special Revenue Funds:				
City Grants Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 260	\$ 260	\$ 696	\$ 436
Revenue from use of property	22,406	22,406	18,621	(3,785)
Total revenue from use of money and property	\$ 22,666	\$ 22,666	\$ 19,317	\$ (3,349)
Total revenue from local sources	\$ 22,666	\$ 22,666	\$ 19,317	\$ (3,349)
Total City Grants Fund	\$ 22,666	\$ 22,666	\$ 19,317	\$ (3,349)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

For the Year Ended June 30, 2021 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Special Revenue Funds: (Continued)				
CARES Fund:				
Intergovernmental:				
Revenue from the federal government:				
Coronavirus relief funds	\$ -	\$ 1,095,288	\$ 1,803,316	\$ 708,028
HAVA election security grant	-	54,245	41,786	(12,459)
Total CARES Fund	\$ -	\$ 1,149,533	\$ 1,845,102	\$ 695,569
Total Special Revenue Funds	\$ 22,666	\$ 1,172,199	\$ 1,864,419	\$ 692,220
Capital Projects Funds:				
Capital Reserve Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 30	\$ 30	\$ 43	\$ 13
Total revenue from local sources	\$ 30	\$ 30	\$ 43	\$ 13
Total Capital Reserve Fund	\$ 30	\$ 30	\$ 43	\$ 13
Meals Tax Fund:				
Revenue from local sources:				
Other local taxes:				
Meals taxes	\$ 1,710,000	\$ 1,710,000	\$ 2,163,683	\$ 453,683
Total revenue from local sources	\$ 1,710,000	\$ 1,710,000	\$ 2,163,683	\$ 453,683
Intergovernmental:				
Revenue from the Federal Government				
Categorical aid:				
QSCB tax credit	\$ 371,930	\$ 371,930	\$ 372,721	\$ 791
Total revenue from the Federal Government	\$ 371,930	\$ 371,930	\$ 372,721	\$ 791
Total Meals Tax Fund	\$ 2,081,930	\$ 2,081,930	\$ 2,536,404	\$ 454,474
Total Capital Projects Funds	\$ 2,081,960	\$ 2,081,960	\$ 2,536,447	\$ 454,487
Total Revenues -- Primary Government	\$ 32,804,119	\$ 36,630,032	\$ 39,706,416	\$ 3,076,384

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2021 (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	\$ -	\$ -	\$ 11,824	\$ 11,824
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ 312,314	\$ 315,158	\$ 2,844
Recovered costs:				
Recovered costs	\$ 355,730	\$ 511,730	\$ 429,306	\$ (82,424)
Total revenue from local sources	\$ 355,730	\$ 824,044	\$ 756,288	\$ (67,756)
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Martinsville, Virginia	\$ 6,045,015	\$ 6,045,015	\$ 4,089,345	\$ (1,955,670)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,532,756	\$ 2,532,756	\$ 2,718,435	\$ 185,679
Basic school aid	6,390,860	6,390,860	6,772,403	381,543
Share of fringe benefits - FICA	436,859	436,859	454,815	17,956
Share of fringe benefits - VRS	1,017,544	1,017,544	1,059,370	41,826
English as a second language	123,374	123,374	113,279	(10,095)
Group life insurance benefits	30,916	30,916	32,187	1,271
Regional tuition special education	150,666	150,666	139,407	(11,259)
Early reading intervention	77,791	77,791	75,012	(2,779)
Vocational SOQ payments	219,101	219,101	228,107	9,006
Special education - basic	791,722	791,722	824,265	32,543
At risk students	1,116,252	1,116,252	1,161,978	45,726
Homebound education	12,630	12,630	8,045	(4,585)
Remedial education	103,498	103,498	10,648	(92,850)
Remediation SOQ payments	501,379	501,379	521,988	20,609
Reduced K-3	594,184	594,184	588,958	(5,226)
Preschool initiative	326,289	326,289	261,212	(65,077)
Textbooks	144,459	144,459	150,397	5,938
Technology	159,142	159,142	164,605	5,463
Other state funds	693,714	944,393	1,144,697	200,304
Total categorical aid	\$ 15,423,136	\$ 15,673,815	\$ 16,429,808	\$ 755,993
Total revenue from the Commonwealth	\$ 15,423,136	\$ 15,673,815	\$ 16,429,808	\$ 755,993

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

For the Year Ended June 30, 2021 (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:				
Coronavirus relief fund	\$ -	\$ 306,005	\$ 306,005	\$ -
Education stabilization fund	-	5,042,035	2,036,488	(3,005,547)
Other federal categorical aid	42,235	42,235	134,090	91,855
Total categorical aid	\$ 42,235	\$ 5,390,275	\$ 2,476,583	\$ (2,913,692)
Total revenue from the federal government	\$ 42,235	\$ 5,390,275	\$ 2,476,583	\$ (2,913,692)
Total School Operating Fund	\$ 21,866,116	\$ 27,933,149	\$ 23,752,024	\$ (4,181,125)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 36,200	\$ (13,800)
Charges for services:				
Cafeteria sales	\$ 165,000	\$ 165,000	\$ 8,496	\$ (156,504)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 47,447	\$ 47,447	\$ 66,815	\$ 19,368
Revenue from the federal government:				
Categorical aid:				
School food	\$ 1,365,000	\$ 1,365,000	\$ 1,399,682	\$ 34,682
Total School Cafeteria Fund	\$ 1,627,447	\$ 1,627,447	\$ 1,511,193	\$ (116,254)
School Grants Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ -	\$ 1,223,764	\$ 1,099,072	\$ (124,692)
Title II - teacher quality	-	142,011	125,514	(16,497)
Title III - language acquisition grant	-	13,060	8,128	(4,932)
Title IV - student support and academic enrichment	-	85,715	54,020	(31,695)
Title VI - rural education	-	37,118	94,052	56,934
Special education - flow through	-	577,998	496,828	(81,170)
Special education - preschool	-	7,121	3,136	(3,985)
Perkins vocational education	-	72,665	77,258	4,593
Total revenue from the federal government	\$ -	\$ 2,159,452	\$ 1,958,008	\$ (201,444)
Total School Grants Fund	\$ -	\$ 2,159,452	\$ 1,958,008	\$ (201,444)
School Activity Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ -	\$ 61,760	\$ 61,760
Total revenue from local sources	\$ -	\$ -	\$ 61,760	\$ 61,760
Total School Activity Fund	\$ -	\$ -	\$ 61,760	\$ 61,760
Total Revenues--Component Unit - School Board	\$ 23,493,563	\$ 31,720,048	\$ 27,282,985	\$ (4,437,063)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2021

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	\$ 37,082	\$ 8,408
General and Financial Administration:				
Clerk of council	\$ 4,446	\$ 4,446	\$ 4,433	\$ 13
City attorney	119,801	119,801	90,274	29,527
City manager's office	274,254	274,254	270,311	3,943
Assistant city manager	66,573	66,573	63,915	2,658
Legal services	5,000	5,000	-	5,000
Human resources	221,192	221,192	194,406	26,786
Employment services	404,470	404,470	337,061	67,409
Communications	24,578	24,578	16,536	8,042
Commissioner of the Revenue	473,670	473,670	424,631	49,039
Assessor	9,590	9,590	6,445	3,145
Treasurer	366,534	366,534	346,137	20,397
Finance director	241,714	241,714	215,642	26,072
Accounting	183,047	183,047	181,090	1,957
Utility billing	384,131	384,131	361,617	22,514
Information services	499,234	499,234	482,658	16,576
Central garage	490,020	490,020	477,126	12,894
Purchasing	180,425	180,425	167,775	12,650
Risk management	228,641	228,641	210,552	18,089
General expenses	267,797	277,797	696,068	(418,271)
Total general and financial administration	\$ 4,445,117	\$ 4,455,117	\$ 4,546,677	\$ (91,560)
Board of Elections:				
Electoral board and officials	\$ 26,999	\$ 26,999	\$ 20,981	\$ 6,018
Registrar	132,814	132,814	133,360	(546)
Total board of elections	\$ 159,813	\$ 159,813	\$ 154,341	\$ 5,472
Total general government administration	\$ 4,650,420	\$ 4,660,420	\$ 4,738,100	\$ (77,680)
Judicial Administration:				
Courts:				
Circuit court	\$ 87,580	\$ 87,580	\$ 74,155	\$ 13,425
General district court	32,700	32,700	17,950	14,750
Juvenile and domestic relations court	5,425	5,425	3,251	2,174
Clerk of the circuit court	477,787	480,124	468,130	11,994
Sheriff - courts	1,221,122	1,269,121	1,144,381	124,740
Total Courts	\$ 1,824,614	\$ 1,874,950	\$ 1,707,867	\$ 167,083

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2021 (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	\$ 837,348	\$ 856,118	\$ 764,063	\$ 92,055
Victim witness program	116,941	116,941	100,591	16,350
Total Commonwealth attorney	\$ 954,289	\$ 973,059	\$ 864,654	\$ 108,405
Total judicial administration	\$ 2,778,903	\$ 2,848,009	\$ 2,572,521	\$ 275,488
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	\$ 4,211,108	\$ 4,952,254	\$ 4,179,783	\$ 772,471
Transportation safety commission	1,500	1,500	1,499	1
Total law enforcement and traffic control	\$ 4,212,608	\$ 4,953,754	\$ 4,181,282	\$ 772,472
Fire and Rescue Services:				
Fire services	\$ 2,228,567	\$ 2,270,978	\$ 1,850,983	\$ 419,995
Emergency medical services	234,897	292,229	248,517	43,712
Total fire and rescue services	\$ 2,463,464	\$ 2,563,207	\$ 2,099,500	\$ 463,707
Correction and Detention:				
Sheriff -corrections	\$ 3,461,259	\$ 3,469,659	\$ 3,399,861	\$ 69,798
Sheriff -jail annex	190,375	191,300	269,077	(77,777)
Probation office	332,089	332,089	281,168	50,921
Total correction and detention	\$ 3,983,723	\$ 3,993,048	\$ 3,950,106	\$ 42,942
Inspections:				
Building and other	\$ 308,081	\$ 335,456	\$ 291,507	\$ 43,949
Other Protection:				
Safety	\$ 125,371	\$ 160,831	\$ 123,999	\$ 36,832
Total public safety	\$ 11,093,247	\$ 12,006,296	\$ 10,646,394	\$ 1,359,902
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Director of public works	\$ 155,066	\$ 155,066	\$ 122,667	\$ 32,399
Engineering	84,273	84,273	81,705	2,568
Street maintenance	2,360,116	2,581,769	2,312,461	269,308
Street marking and signs	200,813	200,813	204,012	(3,199)
Traffic signals	493,354	553,414	558,790	(5,376)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2021 (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	\$ 384,668	\$ 387,112	\$ 416,824	\$ (29,712)
VDOT reserve	-	997,642	1,029,537	(31,895)
Street construction	216,785	243,449	219,092	24,357
Total maintenance of highways, streets, bridges and sidewalks	\$ 3,895,075	\$ 5,203,538	\$ 4,945,088	\$ 258,450
Maintenance of buildings and grounds:				
Uptown maintenance	\$ 48,975	\$ 48,975	\$ 47,113	\$ 1,862
City hall maintenance	466,003	466,003	487,339	(21,336)
Warehouse / garage complex	112,237	112,237	112,006	231
WPBDC building	51,800	51,800	61,615	(9,815)
Housing services building	900	900	-	900
Chief Tassel / Med School / BB&T	8,828	8,828	91,458	(82,630)
Total maintenance of buildings and grounds	\$ 688,743	\$ 688,743	\$ 799,531	\$ (110,788)
Total public works	\$ 4,583,818	\$ 5,892,281	\$ 5,744,619	\$ 147,662
Health and Welfare				
Health:				
Contribution to local health department	\$ 198,401	\$ 198,401	\$ 198,401	\$ -
Mental Health and Mental Retardation:				
Chapter X board	\$ 58,125	\$ 58,125	\$ 58,125	\$ -
Welfare/Social Services:				
Comprehensive services	\$ 300,000	\$ 300,000	\$ 696,871	\$ (396,871)
Regional social services board	473,917	473,917	428,193	45,724
Total welfare/social services	\$ 773,917	\$ 773,917	\$ 1,125,064	\$ (351,147)
Total health and welfare	\$ 1,030,443	\$ 1,030,443	\$ 1,381,590	\$ (351,147)
Education:				
Contributions to community colleges	\$ 19,835	\$ 19,835	\$ 19,835	\$ -
Contributions to School Board Component Unit	6,045,015	6,045,015	4,089,345	1,955,670
Total education	\$ 6,064,850	\$ 6,064,850	\$ 4,109,180	\$ 1,955,670

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2021 (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	258,499	258,499	235,585	22,914
Hooker field/Mustangs	82,488	82,488	77,799	4,689
Senior services	217,004	224,138	182,777	41,361
Total parks and recreation	\$ 607,991	\$ 615,125	\$ 546,161	\$ 68,964
Library:				
Regional library	\$ 295,308	\$ 295,308	\$ 295,308	\$ -
Total parks, recreation and cultural	\$ 903,299	\$ 910,433	\$ 841,469	\$ 68,964
Community Development:				
Planning and Community Development:				
Community Development	\$ 306,629	\$ 907,681	\$ 1,035,286	\$ (127,605)
Telecom system	2,037,447	2,542,578	2,264,288	278,290
Planning and zoning	12,700	12,700	967	11,733
Contributions to local organizations	850,067	850,067	960,050	(109,983)
Total planning and community development	\$ 3,206,843	\$ 4,313,026	\$ 4,260,591	\$ 52,435
Cooperative Extension Program:				
Horticulture and family resources	\$ 7,756	\$ 7,756	\$ 7,756	\$ -
Total community development	\$ 3,214,599	\$ 4,320,782	\$ 4,268,347	\$ 52,435
Total General Fund	\$ 34,319,579	\$ 37,733,514	\$ 34,302,220	\$ 3,431,294
Special Revenue Funds:				
City Grants Fund:				
Community Development:				
Community development block grant	\$ 1,436	\$ 1,436	\$ 1,313	\$ 123
Total City Grants Fund	\$ 1,436	\$ 1,436	\$ 1,313	\$ 123
CARES Fund:				
General government administration	\$ -	\$ 188,219	\$ 262,365	\$ (74,146)
Public safety	-	566,150	932,127	(365,977)
Community development	-	395,164	650,610	(255,446)
Total CARES Fund	\$ -	\$ 1,149,533	\$ 1,845,102	\$ (695,569)
Total Special Revenue Funds	\$ 1,436	\$ 1,150,969	\$ 1,846,415	\$ (695,446)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2021 (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	\$ 70,000	\$ 27,888	\$ 42,112
Physical plant expansion - City Hall	-	8,000	5,013	2,987
Physical plant expansion - Schools	-	170,478	131,777	38,701
Total general government administration	\$ 70,000	\$ 248,478	\$ 164,678	\$ 83,800
Public Safety:				
Police department - motor vehicles	\$ -	\$ 81,952	\$ 57,354	\$ 24,598
Computer hardware / software - Sheriff / Jail	29,652	29,652	29,652	-
Fire department - motor vehicles	-	531,663	529,862	1,801
Sheriff/Jail - motor vehicles	-	66,005	31,332	34,673
Major tools and equipment - Police department	12,000	12,000	-	12,000
Major tools and equipment - Fire department	-	1,468	1,468	-
Major tools and equipment - Sheriff / Jail	-	33,000	32,869	131
Physical plant expansion - Fire department	-	21,800	-	21,800
Total public safety	\$ 41,652	\$ 777,540	\$ 682,537	\$ 95,003
Public Works:				
Public works - motor vehicles	\$ -	\$ 219,299	\$ 152,166	\$ 67,133
Major tools and equipment - garage	-	-	7,998	(7,998)
Physical plant expansion - WPBDC building	18,050	18,050	12,502	5,548
Physical plant expansion - warehouse complex	10,000	22,500	11,040	11,460
Total public works	\$ 28,050	\$ 259,849	\$ 183,706	\$ 76,143
Parks, Recreation, and Cultural:				
Parks and recreation:				
Physical plant expansion - senior services	\$ -	\$ 9,500	\$ 9,690	\$ (190)
Total parks, recreation and cultural	\$ -	\$ 9,500	\$ 9,690	\$ (190)
Debt service:				
Principal retirement	\$ 313,231	\$ 313,231	\$ 313,231	-
Interest and other debt costs	48,162	48,162	48,162	-
Total debt service	\$ 361,393	\$ 361,393	\$ 361,393	-
Total Capital Reserve Fund	\$ 501,095	\$ 1,656,760	\$ 1,402,004	\$ 254,756

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2021 (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	\$ 56,350	\$ 56,350	\$ 56,352	\$ (2)
Debt service:				
Principal retirement	\$ 1,076,458	\$ 1,076,458	\$ 1,076,458	\$ -
Interest and other debt costs	448,664	448,664	448,664	-
Total debt service	\$ 1,525,122	\$ 1,525,122	\$ 1,525,122	\$ -
Total Meals Tax Fund	<u>\$ 1,581,472</u>	<u>\$ 1,581,472</u>	<u>\$ 1,581,474</u>	<u>\$ (2)</u>
Total Capital Projects Funds	<u>\$ 2,082,567</u>	<u>\$ 3,238,232</u>	<u>\$ 2,983,478</u>	<u>\$ 254,754</u>
Total Expenditures - Primary Government	<u>\$ 36,403,582</u>	<u>\$ 42,122,715</u>	<u>\$ 39,132,113</u>	<u>\$ 2,990,602</u>
Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction	\$ 15,491,644	\$ 20,119,308	\$ 15,951,875	\$ 4,167,433
Administration, attendance and health	1,479,122	1,791,299	1,756,318	34,981
Pupil transportation	1,007,490	1,056,062	759,776	296,286
Operation and maintenance of school plant	2,768,864	3,310,506	3,045,664	264,842
Technology	1,118,996	1,974,764	2,241,175	(266,411)
Total operating costs	\$ 21,866,116	\$ 28,251,939	\$ 23,754,808	\$ 4,497,131
Total School Operating Fund	<u>\$ 21,866,116</u>	<u>\$ 28,251,939</u>	<u>\$ 23,754,808</u>	<u>\$ 4,497,131</u>
School Cafeteria Fund:				
Education:				
School food services	\$ 1,714,660	\$ 1,714,660	\$ 1,454,929	\$ 259,731
School Grants Fund:				
Education:				
Instruction costs	\$ -	\$ 2,159,452	\$ 1,900,451	\$ 259,001
School Activity Fund:				
Education:				
Instruction costs	\$ -	\$ -	\$ 42,812	\$ (42,812)
Total Expenditures - Component Unit - School Board	<u>\$ 23,580,776</u>	<u>\$ 32,126,051</u>	<u>\$ 27,153,000</u>	<u>\$ 4,973,051</u>

Pledged Revenue Coverage - Water and Sewer Revenue Bonds
For the Years Ended June 30, 2018 through June 30, 2021

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

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
Net investment in capital assets	\$ 5,239,010	\$ 7,783,672	\$ 9,025,281	\$ 8,309,912	\$ 10,250,210	\$ 10,624,972	\$ 10,317,087	\$ 10,741,090	9,567,363	\$ 9,375,841
Unrestricted	<u>10,833,837</u>	<u>9,266,186</u>	<u>11,321,289</u>	<u>(4,717,533)</u>	<u>(5,823,340)</u>	<u>(7,197,367)</u>	<u>(9,652,267)</u>	<u>(9,136,286)</u>	<u>(8,626,444)</u>	<u>(8,510,553)</u>
Total governmental activities net position	<u>\$ 16,072,847</u>	<u>\$ 17,049,858</u>	<u>\$ 20,346,570</u>	<u>\$ 3,592,379</u>	<u>\$ 4,426,870</u>	<u>\$ 3,427,605</u>	<u>\$ 664,820</u>	<u>\$ 1,604,804</u>	<u>940,919</u>	<u>\$ 865,288</u>
Business-type activities:										
Net investment in capital assets	\$ 17,011,598	\$ 17,668,620	\$ 17,998,885	\$ 18,933,157	\$ 20,792,962	\$ 20,155,003	\$ 21,620,820	\$ 24,696,125	25,296,901	\$ 26,753,935
Unrestricted	<u>8,058,407</u>	<u>10,467,030</u>	<u>9,385,092</u>	<u>6,106,918</u>	<u>4,335,678</u>	<u>9,186,299</u>	<u>6,855,519</u>	<u>6,529,974</u>	<u>7,979,888</u>	<u>8,228,683</u>
Total business-type activities net position	<u>\$ 25,070,005</u>	<u>\$ 28,135,650</u>	<u>\$ 27,383,977</u>	<u>\$ 25,040,075</u>	<u>\$ 25,128,640</u>	<u>\$ 29,341,302</u>	<u>\$ 28,476,339</u>	<u>\$ 31,226,099</u>	<u>33,276,789</u>	<u>\$ 34,982,618</u>
Primary government										
Net investment in capital assets	\$ 22,250,608	\$ 25,452,292	\$ 27,024,166	\$ 27,243,069	\$ 31,043,172	\$ 30,779,975	\$ 31,937,907	\$ 35,437,215	34,864,264	\$ 36,129,776
Unrestricted	<u>18,892,244</u>	<u>19,733,216</u>	<u>20,706,381</u>	<u>1,389,385</u>	<u>(1,487,662)</u>	<u>1,988,932</u>	<u>(2,796,748)</u>	<u>(2,606,312)</u>	<u>(646,556)</u>	<u>(281,870)</u>
Total primary government	<u>\$ 41,142,852</u>	<u>\$ 45,185,508</u>	<u>\$ 47,730,547</u>	<u>\$ 28,632,454</u>	<u>\$ 29,555,510</u>	<u>\$ 32,768,907</u>	<u>\$ 29,141,159</u>	<u>\$ 32,830,903</u>	<u>34,217,708</u>	<u>\$ 35,847,906</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)

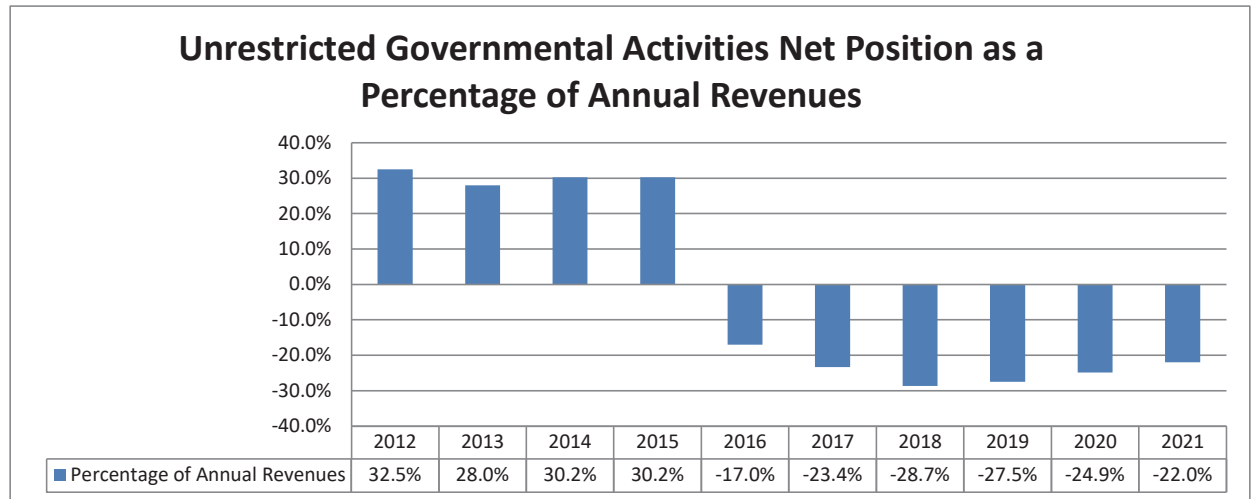
	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses:										
Governmental activities:										
General government administration	\$ 3,637,285	\$ 3,632,201	\$ 3,652,928	\$ 3,800,766	\$ 4,612,205	\$ 3,245,979	\$ 3,201,860	\$ 3,431,098	\$ 4,618,016	\$ 4,682,408
Judicial administration	1,918,028	1,981,577	2,165,263	2,096,773	2,250,373	2,322,293	2,314,974	2,262,276	2,641,457	2,762,578
Public safety	9,228,325	9,393,253	9,418,417	9,176,453	9,837,593	9,805,711	9,902,833	9,801,973	11,826,946	12,944,151
Public works	4,011,222	4,957,877	4,265,599	3,456,455	4,246,016	3,659,946	4,926,615	3,545,037	4,354,892	5,353,609
Health and welfare	563,668	748,961	679,779	674,858	770,780	859,053	960,166	1,114,250	1,227,588	1,469,097
Education	3,525,833	5,800,158	6,876,345	7,794,188	7,091,099	7,401,665	7,305,996	7,296,370	6,282,794	5,381,040
Parks, recreation, and cultural	1,254,795	1,085,674	1,044,516	930,080	941,835	923,286	883,520	855,335	955,956	935,267
Community development	3,498,547	3,705,549	5,390,512	4,958,922	3,373,272	3,381,324	3,231,968	3,073,604	3,282,279	5,332,000
Interest and other fiscal charges	395,761	488,284	688,152	616,888	216,619	184,109	153,162	126,708	133,477	103,981
Total governmental activities expenses	\$ 28,033,464	\$ 31,793,534	\$ 34,181,511	\$ 33,505,383	\$ 33,339,792	\$ 31,783,366	\$ 32,881,094	\$ 31,506,651	\$ 35,323,405	\$ 38,964,131
Business-type activities:										
Electric	\$ 14,987,140	\$ 13,609,901	\$ 16,329,938	\$ 15,552,584	\$ 16,266,023	\$ 16,860,239	\$ 18,842,419	\$ 18,277,367	\$ 17,444,975	\$ 17,591,291
Water	1,713,386	1,756,400	1,744,194	1,576,999	1,817,456	1,979,099	1,998,279	2,199,820	2,359,706	2,647,895
Sewer	2,712,919	2,762,385	3,107,701	3,063,555	3,104,212	3,279,987	3,352,971	4,011,522	4,202,694	4,469,997
Refuse collection / landfill	1,262,415	1,566,262	1,490,749	1,454,477	1,586,815	1,765,041	1,792,739	1,956,974	1,959,383	1,883,910
Total business-type activities expenses	\$ 20,675,860	\$ 19,694,948	\$ 22,672,582	\$ 21,647,615	\$ 22,774,506	\$ 23,884,366	\$ 25,986,408	\$ 26,445,683	\$ 25,966,758	\$ 26,593,093
Total primary government expenses	\$ 48,709,324	\$ 51,488,482	\$ 56,854,093	\$ 55,152,998	\$ 56,114,298	\$ 55,667,732	\$ 58,867,502	\$ 57,952,334	\$ 61,290,163	\$ 65,557,224
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 186,019	\$ 210,744	\$ 27,323	\$ 71,257	\$ 58,315	\$ 54,221	\$ 54,132	\$ 52,714	\$ 25,092	\$ 24,179
Judicial administration	209,709	215,326	177,396	220,001	170,680	199,722	216,855	209,082	139,760	140,128
Public safety	599,126	603,156	502,374	556,608	533,667	557,825	570,985	638,338	773,151	673,967
Public works	24,000	24,000	24,000	367,457	1,239,954	1,327,920	1,483,813	1,572,827	1,656,197	1,558,169
Parks, recreation, and cultural	148,883	51,468	224,677	13,847	10,735	12,162	12,589	3,825	2,241	-
Operating grants and contributions:										
General government administration	423,555	275,042	310,483	230,355	228,325	218,070	230,181	233,651	277,684	505,481
Judicial administration	719,769	721,469	738,874	766,853	789,944	793,561	808,053	828,856	841,540	847,081
Public safety	3,283,016	3,189,324	3,229,434	3,192,089	3,366,678	3,600,720	3,446,573	3,415,292	3,497,408	4,780,825
Public works	3,274,179	2,937,259	3,183,251	3,139,103	3,220,499	3,267,296	3,628,653	3,400,619	3,494,529	3,844,187
Health and welfare	51,227	146,616	106,284	107,481	171,032	201,601	241,134	373,462	385,528	639,624
Parks, recreation, and cultural	34,633	29,024	34,111	27,393	31,257	43,729	34,468	32,786	30,259	63,054
Community development	2,179,828	1,816,471	3,566,872	1,840,583	884,321	474,766	184,155	43,759	125,876	686,735
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
Total governmental activities program revenues	\$ 11,133,944	\$ 12,270,985	\$ 14,025,997	\$ 11,632,398	\$ 10,708,048	\$ 10,951,019	\$ 11,238,991	\$ 11,560,348	\$ 12,448,267	\$ 15,985,015

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2020
Business-type activities:										
Charges for services:										
Electric	\$ 17,005,502	\$ 16,737,265	\$ 17,196,837	\$ 17,630,862	\$ 17,770,846	\$ 18,680,678	\$ 18,787,334	\$ 19,245,478	\$ 19,251,609	\$ 19,232,456
Water	3,108,345	3,223,717	3,268,689	3,301,837	3,284,234	3,602,775	3,497,724	3,537,366	3,565,780	3,487,960
Sewer	4,036,668	3,917,792	3,840,429	3,929,737	4,226,823	4,255,883	4,269,547	4,314,029	4,675,337	4,675,061
Refuse collection / landfill	1,678,419	1,599,297	2,080,731	2,199,089	2,232,517	2,280,710	2,237,742	2,244,328	2,434,359	1,713,245
Capital grants and contributions	1,878,298	-	15,894	-	-	-	-	1,000,000	-	522,011
Total business-type activities program revenues	\$ 27,707,232	\$ 25,478,071	\$ 26,402,580	\$ 27,061,525	\$ 27,514,420	\$ 28,820,046	\$ 28,792,347	\$ 30,341,201	\$ 29,927,085	\$ 29,630,733
Total primary government program revenues	\$ 39,978,217	\$ 39,504,068	\$ 38,034,978	\$ 37,769,573	\$ 38,465,439	\$ 39,771,065	\$ 40,031,338	\$ 41,901,549	\$ 42,375,352	\$ 45,615,748
Net (expense) / revenue										
Governmental activities	\$ (19,522,549)	\$ (20,155,514)	\$ (21,872,985)	\$ (22,631,744)	\$ (20,832,347)	\$ (20,832,347)	\$ (21,642,103)	\$ (19,946,303)	\$ (22,875,138)	\$ (22,979,116)
Business-type activities	8,012,284	2,805,489	4,754,965	4,287,019	3,630,054	4,935,680	2,805,939	3,895,518	3,960,327	3,037,640
Total primary government net expense	\$ (11,510,265)	\$ (17,350,025)	\$ (17,118,020)	\$ (18,344,725)	\$ (17,202,293)	\$ (15,896,667)	\$ (18,836,164)	\$ (16,050,785)	\$ (18,914,811)	\$ (19,941,476)
General Revenues and Other Changes in Net Position										
Governmental activities:										
General property taxes	\$ 8,667,298	\$ 8,815,665	\$ 9,063,889	\$ 8,984,049	\$ 8,949,568	\$ 9,072,495	\$ 8,964,713	\$ 9,728,127	\$ 9,591,164	\$ 9,448,108
Local sales and use taxes	1,891,909	1,886,892	2,017,806	1,921,102	2,033,632	2,046,701	1,968,475	2,039,498	2,075,778	2,346,936
Consumer utility taxes	695,041	684,046	669,664	678,862	654,989	640,608	656,804	606,852	566,901	1,943,342
Business license taxes	1,720,315	1,769,645	1,807,604	1,607,168	1,715,637	1,770,305	1,984,863	1,957,688	1,908,324	2,163,683
Meals tax	1,434,966	1,552,032	1,583,889	1,665,418	1,717,249	1,738,415	1,804,893	1,909,213	1,960,507	568,104
Other local taxes	878,807	787,788	838,603	895,763	884,145	925,346	961,884	1,041,265	929,801	1,071,966
Grants and contributions not restricted to specific programs	1,631,430	1,642,941	1,634,436	1,629,988	1,622,427	1,605,957	1,577,765	1,526,595	1,883,750	1,436,736
Unrestricted revenues from use of money and property	725,358	684,989	925,705	649,438	958,834	1,024,325	1,225,674	1,326,137	1,195,720	1,198,865
Miscellaneous	510,730	263,000	403,029	243,521	249,786	258,851	349,751	361,768	551,813	544,762
Transfers	4,011,638	2,743,691	4,507,601	3,946,547	4,679,968	750,079	2,891,539	1,169,144	1,547,495	2,000,000
Total governmental activities	\$ 22,167,492	\$ 20,830,689	\$ 23,452,226	\$ 22,221,856	\$ 23,466,235	\$ 19,833,082	\$ 22,386,361	\$ 21,666,287	\$ 22,211,253	\$ 22,722,502
Business-type activities:										
Transfers	\$ (4,011,638)	\$ (2,743,691)	\$ (4,507,601)	\$ (3,946,547)	\$ (4,679,968)	\$ (750,079)	\$ (2,891,539)	\$ (1,169,144)	\$ (1,547,495)	\$ (2,000,000)
Unrestricted revenues from use of money and property	30,599	26,213	25,930	23,386	28,619	27,061	27,638	23,386	27,638	25,512
Miscellaneous	-	-	-	-	-	-	15,195	-	-	642,677.00
Loss on asset disposal	-	-	-	-	-	-	-	-	(389,780)	-
Total business-type activities	\$ (3,981,039)	\$ (2,717,478)	\$ (4,481,671)	\$ (3,923,161)	\$ (4,651,349)	\$ (723,018)	\$ (2,848,706)	\$ (1,145,758)	\$ (1,909,637)	\$ (1,331,811)
Total primary government	\$ 18,186,453	\$ 18,113,211	\$ 18,970,555	\$ 18,298,695	\$ 18,814,886	\$ 19,110,064	\$ 19,537,655	\$ 20,520,529	\$ 20,301,616	\$ 21,390,691
Change in Net Position										
Governmental activities	\$ 2,644,943	\$ 675,175	\$ 1,579,241	\$ (409,888)	\$ 2,633,888	\$ (999,265)	\$ 744,258	\$ 1,719,984	\$ (663,885)	\$ (256,614)
Business-type activities	4,031,245	88,011	273,294	363,858	(1,021,295)	4,212,662	(42,767)	2,749,760	2,050,690	1,705,829
Total primary government	\$ 6,676,188	\$ 763,186	\$ 1,852,535	\$ (46,030)	\$ 1,612,593	\$ 3,213,397	\$ 701,491	\$ 4,469,744	\$ 1,386,805	\$ 1,449,215

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
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
2012	8,667,298	1,891,909	695,041	1,720,315	1,434,966	878,807	15,288,336

CITY OF MARTINSVILLE, VIRGINIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General fund					
Nondisposable	\$ 795,619	\$ 841,646	\$ 993,900	\$ 759,894	\$ 1,123,501
Committed	1,690,400	1,698,115	2,043,941	2,267,064	1,218,099
Assigned	154,099	154,099	25,000	25,000	25,000
Unassigned	<u>4,734,167</u>	<u>4,535,327</u>	<u>4,568,620</u>	<u>4,122,660</u>	<u>4,401,718</u>
Total general fund	<u>\$ 7,374,285</u>	<u>\$ 7,229,187</u>	<u>\$ 7,631,461</u>	<u>\$ 7,174,618</u>	<u>\$ 6,768,318</u>
All other governmental funds					
Nondisposable	\$ -	\$ 477,955	\$ -	\$ -	\$ -
Restricted for:					
Capital projects	10,053,594	2,274,054	190,981	-	-
Committed, reported in:					
Special revenue funds	280,061	11,809	395,408	53,123	-
Assigned, reported in:					
Capital projects funds	705,957	318,876	1,260,911	1,523,314	1,424,363
Special revenue funds	-	-	-	-	3,381
Unassigned, reported in:					
Special revenue funds (deficit)	<u>(583,105)</u>	<u>(592,879)</u>	<u>(23,767)</u>	<u>(53,031)</u>	<u>-</u>
Total all other governmental funds	<u>\$ 10,456,507</u>	<u>\$ 2,489,815</u>	<u>\$ 1,823,533</u>	<u>\$ 1,523,406</u>	<u>\$ 1,427,744</u>
Total governmental funds	<u>\$ 17,830,792</u>	<u>\$ 9,719,002</u>	<u>\$ 9,454,994</u>	<u>\$ 8,698,024</u>	<u>\$ 8,196,062</u>

Table 5

	2017	2018	2019	2020	2021
\$	1,205,350	\$ 1,202,606	\$ 1,198,249	\$ 1,293,059	\$ 1,463,423
	1,820,414	851,339	712,456	729,155	755,367
	-	-	-	-	-
	<u>3,031,355</u>	<u>4,660,378</u>	<u>4,331,449</u>	<u>4,938,739</u>	<u>7,574,286</u>
\$	<u><u>6,057,119</u></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>
\$	-	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
	-	-	-	-	-
	798,619	1,165,244	534,861	1,501,117	1,406,274
	109,148	50,595	70,345	90,671	108,674
	-	-	-	-	-
\$	<u><u>907,767</u></u>	<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>6,964,886</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>

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Fund Balance Summary
Year Ended June 30, 2021
(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	\$ 1,463,423	\$ -	\$ -	\$ -	\$ 1,463,423
Committed to:					
Judicial Administration	52,590	-	-	-	52,590
Public Safety	590,952	-	-	-	590,952
Public Works	69,272	-	-	-	69,272
Community development	42,553	-	-	-	42,553
Assigned to:					
Capital reserve fund	-	-	393,298	-	393,298
Special revenue fund	-	108,674	-	-	108,674
Meals tax fund	-	-	-	1,012,976	1,012,976
Unassigned	7,574,286	-	-	-	7,574,286
Total fund balance	<u>\$ 9,793,076</u>	<u>\$ 108,674</u>	<u>\$ 393,298</u>	<u>\$ 1,012,976</u>	<u>\$ 11,308,024</u>

CITY OF MARTINSVILLE, VIRGINIA

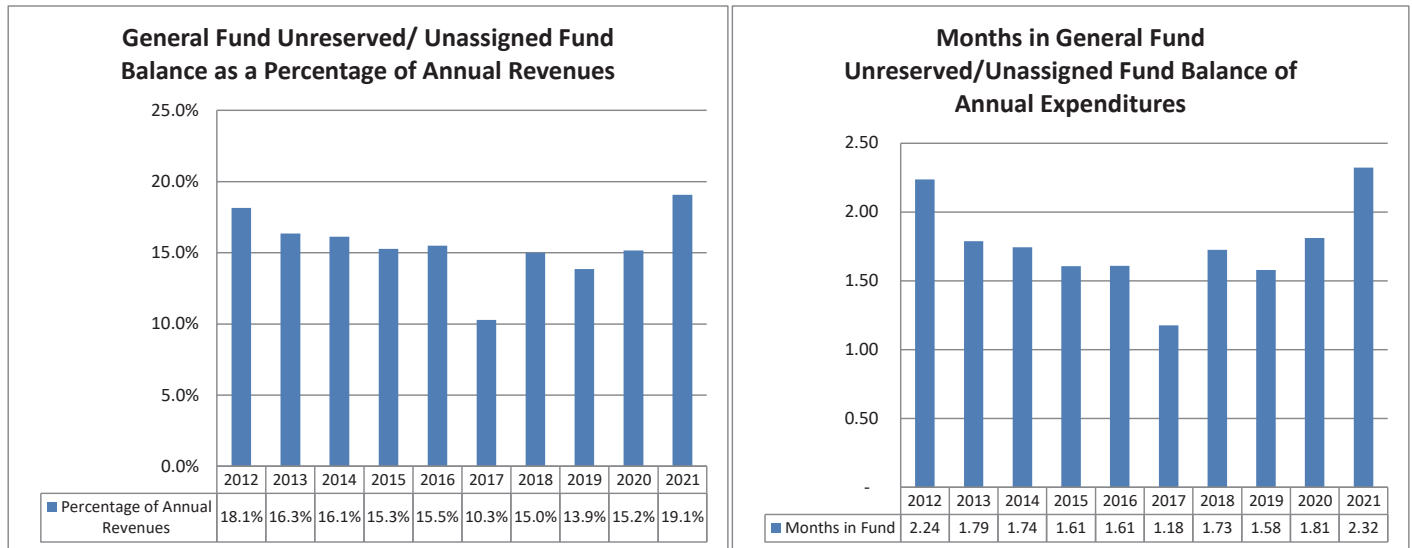
Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	2012	2013	2014	2015
Revenues:				
General property taxes	\$ 8,622,900	\$ 8,760,993	\$ 8,683,569	\$ 9,083,158
Other local taxes	6,621,038	6,680,403	6,917,566	6,768,313
Permits, privilege fees and regulatory licenses	594,763	145,833	83,931	94,162
Fines and forfeitures	163,118	164,533	126,049	174,262
Revenue from use of money and property	725,358	684,989	925,705	649,438
Charges for services	409,856	794,328	745,790	960,746
Miscellaneous	510,730	263,000	403,029	243,521
Recovered costs	1,126,724	991,218	1,041,507	1,490,324
Intergovernmental:				
Commonwealth	8,840,678	8,927,696	9,150,812	9,827,014
Federal	2,939,213	4,259,593	5,553,851	2,206,202
Total revenues	\$ 30,554,378	\$ 31,672,586	\$ 33,631,809	\$ 31,497,140
Expenditures:				
General government administration	\$ 5,501,331	\$ 4,745,980	\$ 4,284,558	\$ 4,633,537
Judicial administration	1,917,844	1,983,255	2,164,763	2,144,310
Public safety	9,046,810	9,579,378	9,845,689	9,712,097
Public works	3,993,552	6,637,533	6,098,946	4,403,469
Health and welfare	604,746	792,657	720,419	725,947
Education	3,638,582	12,477,628	7,341,781	6,587,543
Parks, recreation, and cultural	1,218,913	1,068,617	1,027,633	1,185,463
Community development	3,474,873	3,817,336	5,035,599	4,932,864
Debt service:				
Principal retirement	1,207,842	1,167,732	2,913,705	1,243,918
Interest and other fiscal charges	582,396	717,951	722,325	631,509
Total expenditures	\$ 31,186,889	\$ 42,988,067	\$ 40,155,418	\$ 36,200,657
Excess (deficiency) of revenues over expenditures	\$ (632,511)	\$ (11,315,481)	\$ (6,523,609)	\$ (4,703,517)
Other financing sources (uses):				
Issuance of debt	\$ 10,550,000	\$ 460,000	1,752,000	\$ -
Capital lease proceeds	-	-	-	-
Insurance recoveries	-	-	-	-
Transfers in	4,256,202	3,062,864	5,357,541	4,440,920
Transfers (out)	(244,564)	(319,173)	(849,940)	(494,373)
Total other financing sources (uses)	\$ 14,561,638	\$ 3,203,691	\$ 6,259,601	\$ 3,946,547
Net changes in fund balances	\$ 13,929,127	\$ (8,111,790)	\$ (264,008)	\$ (756,970)
Debt service as a percentage of noncapital expenditures	5.81%	5.81%	10.02%	5.32%

Table 7

	2016	2017	2018	2019	2020	2021
\$	8,745,402	\$ 8,877,122	\$ 9,180,279	\$ 9,136,565	\$ 9,335,603	\$ 9,762,106
	7,005,652	7,121,375	7,376,919	7,554,516	7,441,311	8,094,031
	100,068	93,979	56,503	93,318	109,659	82,265
	109,396	140,171	170,759	139,591	99,924	92,397
	958,834	1,144,249	1,225,674	1,332,679	1,206,581	1,198,865
	1,803,887	1,917,701	2,111,112	2,243,877	2,386,857	2,221,781
	249,786	258,852	349,751	361,768	551,813	544,762
	1,735,766	2,108,095	2,173,575	2,108,652	2,312,618	2,312,178
	9,746,076	9,231,666	9,825,527	10,014,169	10,510,007	11,563,521
	939,421	1,541,438	1,022,020	966,733	1,598,952	3,834,510
\$	<u>31,394,288</u>	<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>
\$	6,277,216	\$ 4,042,520	\$ 4,019,965	\$ 4,585,789	\$ 5,190,992	\$ 5,221,495
	2,319,579	2,293,175	2,332,335	2,401,821	2,513,322	2,572,521
	10,320,222	10,131,848	9,992,439	11,170,618	11,375,251	12,261,058
	4,639,584	4,775,364	5,997,499	4,951,335	5,472,305	5,928,325
	812,079	874,554	993,510	1,229,160	1,186,193	1,381,590
	5,957,670	6,267,041	6,170,116	6,164,347	5,157,042	4,109,180
	927,402	861,036	837,001	852,802	855,004	851,159
	3,447,169	3,293,876	3,199,403	3,240,807	3,064,544	4,920,270
	1,271,763	1,305,581	1,338,158	1,265,724	1,290,239	1,389,689
	603,532	570,908	537,956	512,608	505,045	496,826
\$	<u>36,576,216</u>	<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>(5,181,928)</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>
\$	-	\$ -	\$ -	\$ -	\$ -	-
	-	-	-	-	1,214,500	-
	-	-	-	171,197	-	-
	5,191,579	1,845,097	3,479,752	1,935,368	2,639,171	2,852,648
	(511,611)	(1,095,018)	(588,213)	(766,224)	(1,091,676)	(852,648)
\$	<u>4,679,968</u>	<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>(501,960)</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>5.27%</u>	<u>5.61%</u>	<u>5.43%</u>	<u>5.11%</u>	<u>#DIV/0!</u>	<u>5.03%</u>

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



The level of unreserved fund balance is an indication of the amount of unexpended, unencumbered and available resources the government has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls, or other unexpected needs. Beginning in fiscal year ending June 30, 2011, the definition of fund balance changed from unreserved to unassigned. In this analysis, only the General Fund is considered.

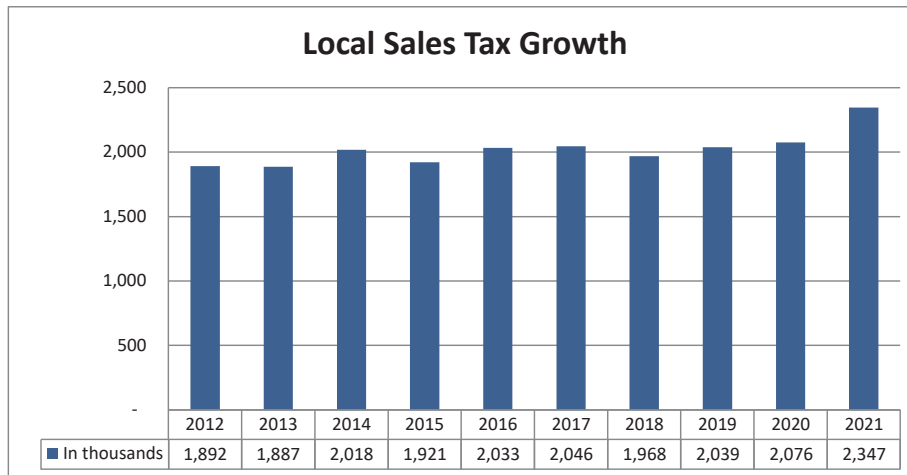
Note:

FY2012 Data includes unexpended bond proceeds of \$8,847,395 and School Operating Fund balance of \$2,254,080 which was transferred to the General Fund as part of the Fund Balance Policy adopted by Council.

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

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Business License Taxes	Meals Taxes	Communications Taxes	Other Local Taxes	Total
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
2012	8,622,900	1,891,909	695,041	1,720,315	1,434,966	911,484	878,807	16,155,422

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, 2021, the City experienced an increase in sales tax collections of approximately \$271,000 or 13.3%.

Utility Analysis of Unrestricted Net Position
At June 30, 2021

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Net Position at June 30, 2021	\$ 18,387,999	\$ 9,264,510	\$ 5,347,462	\$ 1,982,647	\$ 34,982,618
Less capital assets	(17,615,758)	(9,987,623)	(20,795,514)	(1,914,909)	(50,313,804)
Add current portion of long-term obligations	307,470	259,064	642,320	43,187	1,252,041
Add noncurrent portion of long-term obligations	5,068,337	4,582,886	17,655,324	3,241,720	30,548,267
Less compensated absences	(84,701)	(60,411)	(79,837)	(21,870)	(246,819)
Less net pension liability	(1,319,867)	(1,032,107)	(2,047,904)	(521,615)	(4,921,493)
Less net group life insurance OPEB liability	(53,276)	(39,444)	(76,581)	(19,300)	(188,601)
Less net Pay-as-you-Go OPEB liability	(187,962)	(138,653)	(252,787)	(61,731)	(641,133)
Less landfill closure and post-closure costs	-	-	-	(2,242,393)	(2,242,393)
Unrestricted Net Position at June 30, 2021	<u>\$ 4,502,242</u>	<u>\$ 2,848,222</u>	<u>\$ 392,483</u>	<u>\$ 485,736</u>	<u>\$ 8,228,683</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
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
2012	666,564,846	98,318,224	9,451,688	22,946,217	353,331	797,634,306

(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	
\$ 1.0621	\$ 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	
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
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%
2012	9,663,905	8,670,267	89.72%	437,761	9,108,028	94.25%	1,044,410	10.81%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

CITY OF MARTINSVILLE, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				
	General Obligation Bonds	General Obligation Notes	State Literary Loans	VP SA Bonds	Capital Leases
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
2012	3,480,300	340,000	4,625,000	10,921,962	97,087

n/a - not available at publication

Table 14

Business-type Activites					Net
General				Total	Bonded
Obligation	Revenue	Capital		Primary	Debt per
Bonds	Bonds	Leases		Government	Capita
\$ 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	
2,683,700	-	65,474	22,213,523	1,620	

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
2020	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
2012	13,710	797,634,306	22,050,962	2.76%	1,608

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

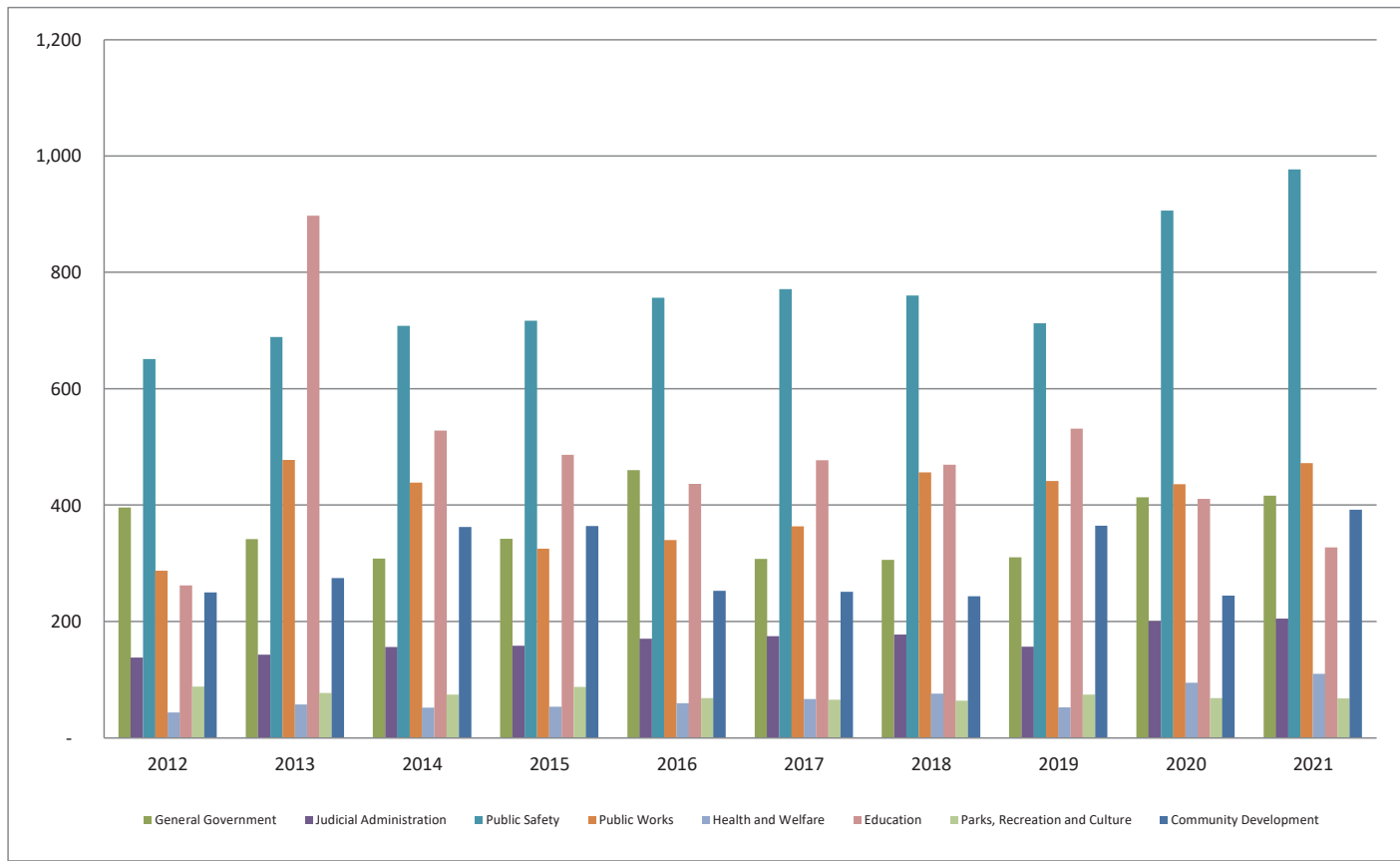
Computation of Direct and Overlapping Bonded Debt
At June 30, 2021

Direct:(1)

City of Martinsville	\$	26,162,840	100%	\$	26,162,840
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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)
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
2012	13,710	32,133	2,163	14.30%	2,139,689

n/a - not available at publication

Sources:

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

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

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

Source: Individual city departments

CITY OF MARTINSVILLE, VIRGINIA

Operating Indicators by Function Last Ten Fiscal Years

		2012	2013	2,014	2015
Police Protection	Number of stations	1	1	1	1
	Number of police personnel and officers	55	55	52	51
	Number of law violations:				
	Physical arrests	1,677	1,580	1,305	1,559
	Traffic violations	3,389	2,430	2,979	3,314
Fire Protection	Number of stations	2	2	2	2
	Number of fire personnel and officers	46	45	46	46
	Number of calls answered	3,171	2,935	2,870	3,093
	Number of inspections conducted	1,401	2,006	1,101	790
Streets	Streets (miles)	100	100	100	100
	Streetlights	3,300	3,300	3,300	2,721
Recreation & Culture	Number of parks and recreation facilities	13	13	13	13
	Number of libraries	1	1	1	1
	Number of community centers	1	1	1	1
Water	Service Connections	7,300	7,300	7,300	7,300
	Miles of water mains	120	120	120	120
	Number of fire hydrants	548	555	555	555
	Daily average consumption in gallons	2.0 MGD	1.8 MGD	1.8 MGD	1.8 MGD
	Maximum daily capacity of plant in gallons	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD
Sewer	Service Connections	6,800	6,800	6,800	6,800
	Miles of sanitary sewers	140	140	140	140
	Miles of storm sewers	1	1	1	1
	Number of treatment plants	1	1	1	1
	Daily average treatment in gallons	4.5 MGD	4.5 MGD	4.5 MGD	4.5 MGD
	Maximum daily capacity of plant in gallons	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD
Electric Distribution Systems	Miles of service	100	100	100	100
	Number of distribution systems	1	1	1	1
Facilities and services not included in the primary government					
	Number of elementary schools	3	3	3	3
	Number of middle schools	2	2	2	2
	Number of secondary schools	1	1	1	1
Facilities and services not included in the reporting entity					
	Hospitals:				
	Number of hospitals	1	1	1	1
	Number of patient beds	237	237	220	220

Source: Individual city departments

Table 20

2016	2017	2018	2019	2020	2021
1	1	1	1	1	1
53	50	51	51	51	51
1,394	1,694	2,932	1,994	1,645	1,383
1,772	2,877	3,314	2,786	2,663	2,539
2	2	2	2	2	2
42	41	42	40	43	41
3,041	3,024	3,053	3,602	2,965	3,504
530	659	581	914	826	838
100	100	100	100	100	100
2,871	3,175	3,069	3,069	3,069	3,072
13	13	13	13	13	13
1	1	1	1	1	1
1	1	1	1	1	1
7,300	7,250	7,250	7,250	7,069	7,069
120	120	120	120	120	120
555	555	555	555	555	555
1.8 MGD	1.8 MGD	1.8 MGD	1.78 MGD	1.95 MGD	1.65 MGD
7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD
6,800	6,800	6,800	6,800	6,535	6,631
140	140	140	140	140	140
1	1	1	1	1	1
1	1	1	1	1	1
4.5 MGD	4.5 MGD	4.5 MGD	5.8 MGD	5.4 MGD	5.5 MGD
8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD
100	100	100	100	100	100
1	1	1	1	1	1
3	3	3	3	3	3
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
220	220	220	220	220	220

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government										
Administration buildings	6	6	6	6	6	6	6	6	6	6
Vehicles	4	4	4	4	4	3	3	4	2	2
Public safety										
Police department:										
Patrol units	9	19	21	23	22	26	27	29	27	30
Other vehicles*	16	13	10	13	16	15	17	18	19	16
Sheriffs department:										
Patrol units	10	11	12	12	13	13	13	16	15	15
Other vehicles*	7	8	10	10	10	12	12	12	10	10
Fire department:										
Vehicles	12	12	13	12	12	14	14	16	14	14
Building inspections:										
Vehicles	2	2	2	1	1	1	1	1	2	2
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	80	66	64	60	59	59	60	57	60	62
Refuse:										
Vehicles	9	10	10	10	10	9	10	12	14	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	7	12	12	13	12	12	12	12	11	11
Playing Fields	9	9	9	9	9	9	9	9	9	9
Tennis courts	3	3	3	3	3	3	3	3	3	3
Community development										
Planning:										
Vehicles	2	2	1	1	1	1	1	1	2	2
Component Unit - School Board										
Education:										
Schools	5	5	5	5	5	5	5	5	5	5
School buses	28	28	28	30	30	31	33	32	31	31
Other vehicles	27	27	23	23	29	25	26	29	27	23

Source: Individual city departments

*Police: includes Admin, CID & K-9

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

- 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, 2021, 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 8, 2021.

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 may exist that have been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 8, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Martinsville, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Martinsville, Virginia's major federal programs for the year ended June 30, 2021. City of Martinsville, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Martinsville, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Martinsville, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Martinsville, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Martinsville, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the City of Martinsville, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Martinsville, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Martinsville, Virginia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have been identified.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 8, 2021

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
For the Year Ended June 30, 2021

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>Direct payments:</u>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	N/A	\$ 868,228	\$ -
<u>Pass through payments:</u>				
Highway Safety Cluster:				
Department of Motor Vehicles:				
State and Community Highway Safety	20.600	FSC-2020-59103-9103	\$ 4,298	
National Priority Safety Programs	20.616	M6OT-2020-59099-9099	3,034	
Total Highway Safety Cluster			7,332	-
Total Department of Transportation			\$ 875,560	\$ -
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
<u>Direct payments:</u>				
Provider Relief Fund	93.498	N/A	\$ 27,342	\$ -
<u>Pass through payments:</u>				
Department of Social Services:				
Temporary Assistance for Needy Families (TANF)	93.558	Unknown	\$ 226,617	\$ 148,596
Social Services Block Grant	93.667	Unknown	1,014	-
Total Department of Health and Human Services			\$ 254,973	\$ 148,596
<u>DEPARTMENT OF HOMELAND SECURITY:</u>				
<u>Pass through payments:</u>				
Department of Emergency Management:				
Emergency Management Performance Grants	98.042	EMP-2019-EP-00007	\$ 7,500	\$ -
Homeland Security Grant Program	97.067	Unknown	34,665	-
Total Department of Homeland Security			\$ 42,165	\$ -
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>				
<u>Direct payments:</u>				
Brownfields Multipurpose, Assessment , Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	N/A	\$ 194,769	\$ -
<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	\$ 1,125	\$ -
<u>DEPARTMENT OF LABOR:</u>				
<u>Pass through payments:</u>				
Department for Aging and Rehabilitative Services:				
Senior Community Service Employment Program	17.235	Unknown	\$ 47,448	\$ -
<u>DEPARTMENT OF JUSTICE:</u>				
<u>Direct payments:</u>				
Alcohol, Tobacco, and Firearms Training Assistance	16.012	N/A	\$ 4,050	\$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	45,080	-
Equitable Sharing Program	16.922	N/A	326,254	-
<u>Pass through payments:</u>				
Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	17VAGX0039 18VAGX0018	70,810	-
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	20VDBX0141	59,330	-
Total Department of Justice			\$ 505,524	\$ -
<u>ELECTION ASSISTANCE COMMISSION:</u>				
<u>Pass through payments:</u>				
Virginia Department of Elections:				
COVID-19 - HAVA Election Security Grants	90.404	Unknown	\$ 41,786	\$ -
<u>DEPARTMENT OF TREASURY:</u>				
<u>Pass through payments:</u>				
Department of Accounts:				
COVID-19 - Coronavirus Relief Fund	21.019	Unknown	\$ 2,492,586	\$ -
Total Primary Government			\$ 4,455,936	\$ 148,596

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
For the Year Ended June 30, 2021 (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	\$ 99,676		
Virginia Department of Education:					
COVID-19 - National School Lunch Program	10.555	APE40264	45,810	\$ 145,486	
COVID-19 - School Breakfast Program	10.553	APE40263		28,758	
Summer Food Service Program for Children	10.559	APE60302 & APE60303	\$ 816,067		
COVID-19 - Summer Food Service Program for Children	10.559	APE60175 & APE60176	257,740		
Virginia Department of Agriculture and Consumer Services:					
Food Distribution - Summer Food Service Program for Children	10.559	APE40254	863	1,074,670	
Total Child Nutrition Cluster				\$ 1,248,914	\$ -
Virginia Department of Education:					
Child and Adult Care Food Program	10.558	APE70027	124,211		
COVID-19 - Child and Adult Care Food Program	10.558	APE70035	16,313	140,524	-
Fresh Fruit and Vegetable Program	10.582	APE40252		10,244	-
Total Department of Agriculture				\$ 1,399,682	\$ -
<u>DEPARTMENT OF EDUCATION:</u>					
<u>Direct payments:</u>					
Department of Education:					
Adult Education - National Leadership Activities	84.191	N/A		\$ 56,069	\$ -
<u>Pass through payments:</u>					
Department of Education:					
Title I Grants to Local Educational Agencies	84.010	APE42901		1,099,072	-
Special Education Cluster (IDEA):					
Special Education - Grants to States	84.027	APE43071	\$ 496,828		
Special Education - Preschool Grants	84.173	APE62521	3,136		
Total Special Education Cluster				499,964	-
Career and Technical Education - Basic Grants to States	84.048	APE61095		77,258	-
English Language Acquisition State Grants	84.365	APE43405		8,128	-
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	APE61480		125,514	-
Rural Education	84.358	APE43481		94,052	-
Student Support and Academic Enrichment Program	84.424	APE60281		54,020	-
COVID-19 - Education Stabilization Fund	84.425D	APE60173 & APE60177		2,036,488	-
Total Department of Education				\$ 4,050,565	\$ -
<u>DEPARTMENT OF TREASURY:</u>					
<u>Pass through payments:</u>					
Department of Accounts:					
COVID-19 - Coronavirus Relief Fund	21.019	Unknown		\$ 306,005	\$ -
Total Component Unit School Board				\$ 5,756,252	\$ -
Total Expenditures of Federal Awards				\$ 10,212,188	\$ 148,596

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, 2021

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, 2021. 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	\$ 2,323,351
Special Revenue Fund:	
CARES Fund	1,845,102
Capital Projects Funds:	
Meals Tax Fund	372,721
Water Fund	27,994
Sewer Fund	24,437
Electric Fund	134,494
Total primary government	<u>\$ 4,728,099</u>
Component Unit School Board:	
School Operating Fund	\$ 2,476,583
School Grants Fund	1,958,008
School Cafeteria Fund	1,399,682
Total component unit school board	<u>\$ 5,834,273</u>
Reconcile federal revenues to expenditures:	
Add: Provider Relief Fund received during the year ended June 30, 2020	27,342
Less: Joint Law Enforcement Operation Funds (JLEO formerly CFDA 16.111)	(4,805)
Less: Federal tax credit subsidy on QSCB bond	<u>(372,721)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 10,212,188</u>

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.

Note 7 - Provider Relief Fund

For fiscal years ended (FYE) on or before June 29, 2021, no Provider Relief Fund (PRF) expenditures (including lost revenue) should have been reported on the SEFA. Due to guidance available when the FYE 2020 report was issued, the entity reported \$27,342 of PRF expenditures on the FYE 2020 SEFA with no significant impact on the SEFA. Based on current guidance from the Department of Health and Human Services (HHS), PRF expenditures (including lost revenue) are to be reported on the SEFA based upon PRF reports submitted through the Health Resources and Services Administration (HRSA) reporting portal. Therefore, the amount of PRF expenditures included on the FYE June 30, 2021 SEFA is based upon the PRF reporting portal guidelines for Period 1, as specified by HHS.

CITY OF MARTINSVILLE, VIRGINIA

Schedule of Findings and Questioned Costs For The Year Ended June 30, 2021

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
21.019	Coronavirus Relief Fund
20.205	Highway Planning and Construction
84.010	Title I Grants to Local Educational Agencies
84.425D	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.