

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



**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2023**



**CITY OF MARTINSVILLE, VIRGINIA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**PREPARED BY:**

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Finance Department



**CITY OF MARTINSVILLE, VIRGINIA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**CITY OF MARTINSVILLE, VIRGINIA**

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**City Council**

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LC Jones, Mayor  
Aaron Rawls, Vice-Mayor

Tammy Pearson

Lawrence Mitchell

Kathy Lawson

**School Board**

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Yvonne Givens, Chairperson  
Michael Williamson, Vice-Chairperson

Nekia Blackwell

Cody Williams

Heather Blankenbaker

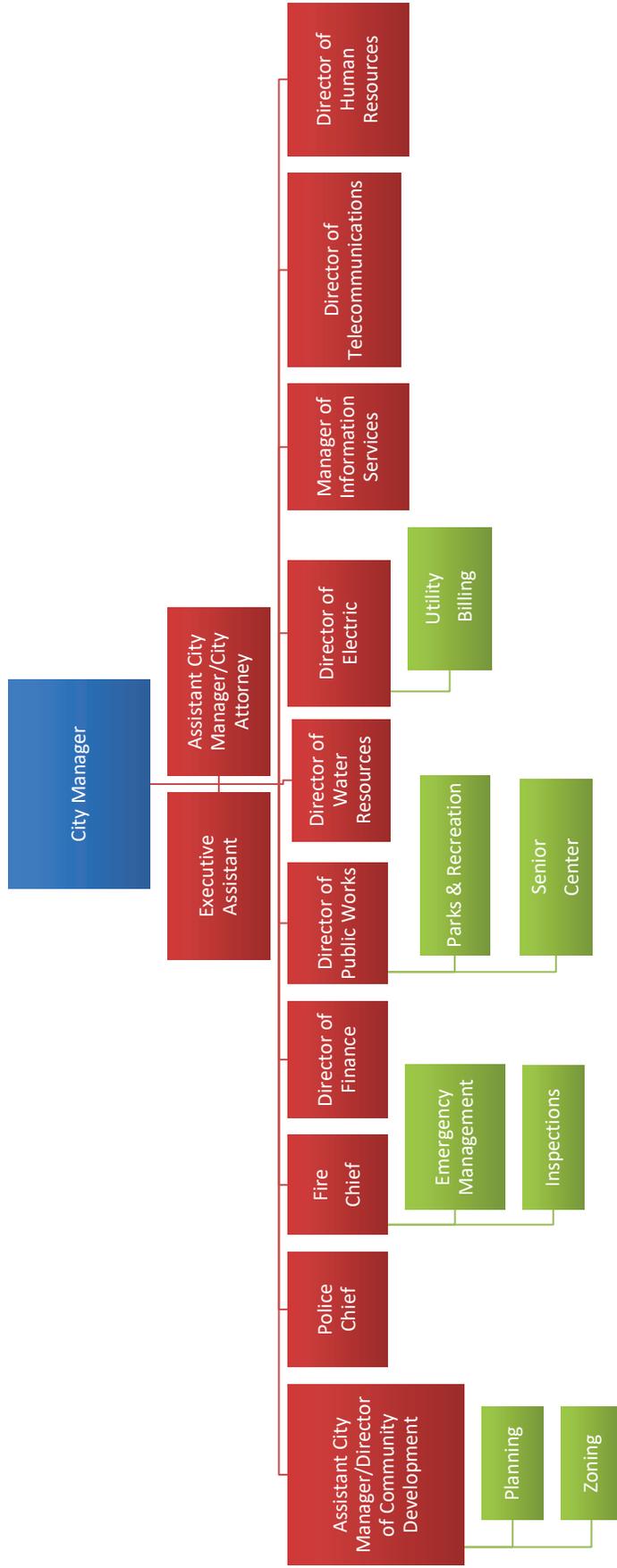
**Other Officials**

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City Manager..... Leon E. Towarnicki  
Clerk of the Circuit Court..... Jean Nunn  
City Attorney/Asst. City Mgr. .... Vacant  
Commissioner of the Revenue..... Ruth Easley  
Treasurer ..... Cindy Dickerson  
Police Chief..... Rob Fincher  
Superintendent of Schools..... Zebadee Talley  
Clerk of the School Board..... Janie Fulcher  
Director of Finance..... Mandy McGhee  
Sheriff..... Steve M. Draper  
Commonwealth's Attorney ..... Glen A. Hall  
Public Works Director ..... Vacant  
Electric Director..... Durwin Joyce  
Purchasing Manager..... Zachary Morris  
Fire Chief ..... Dan Howell  
Water Resources ..... Mike Kahle



# City of Martinsville Organizational Chart







**Independent Auditors' Report**

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Martinsville, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Restatement of Beginning Balances***

As described in Note 20 to the financial statements, in 2023, the discretely presented component unit School Board restated beginning balances to correct an error in prior year the due from other governments balance. Our opinions are not modified with respect to this matter.

## ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Martinsville, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Martinsville, Virginia's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Martinsville, Virginia's basic financial statements. The accompanying combining and individual fund financial statements and schedules and schedule of schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and schedule of schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2024, 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  
January 11, 2024

## Management's Discussion and Analysis

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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, 2023. We encourage you to read this discussion and analysis in conjunction with the accompanying management letter on internal controls, the basic financial statements and the notes to the financial statements.

### **Financial Highlights**

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

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$41,442,373 (total net position).
- The Governmental activities net position was \$6,321,504 of the City's total, an increase of \$5,231,984 from net position of \$1,089,520 at June 30, 2022.
- Net position of the City's various business-type activities totaled \$35,120,869. This is an increase of \$2,107,446 or 6.38% compared to net position of \$33,013,423 at June 30, 2022.

#### **Fund Financial Statements**

The Governmental Funds, on a current financial resource basis, reported revenues and other financing resources in excess of expenditures and other financing uses by \$1,809,821 (Exhibit 4) after making direct contributions totaling \$4,236,690 to the School Board. Additionally, \$1,204,644 was expended from the Meals Tax Fund for School related debt service. A total of \$5,441,334 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 \$12,650,198, which is an increase of \$1,809,821 in comparison with the prior fiscal year.
- At the close of the current fiscal year, the unassigned fund balance for the General Fund was \$6,430,285 or 15.92% of total general fund expenditures.
- The combined long-term Governmental activities obligations increased by \$1,970,710 or approximately 7.40% 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.

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

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

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

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

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

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

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

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

## Overview of the Financial Statements (Continued)

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

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

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

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

## Government-wide Financial Analysis

As stated earlier in this discussion, net position may serve as a useful indicator of a City's financial position over time. For the City in FY2023, (1) assets and deferred outflows of resources exceeded (2) liabilities and deferred inflows of resources by \$41,442,373 at the close of the fiscal year as presented in the Table below. This was an increase of \$7,339,430 or 21.52% as compared to the FY2022 closing amount of \$34,102,943.

**City of Martinsville, Virginia**  
**Schedule of Assets, Liabilities and Net Position**  
**Governmental and Business-Type Activities**  
**For the Years Ended June 30, 2023 and 2022**

	Governmental		Business-type		Totals	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 27,984,962	\$ 24,882,364	\$ 14,673,689	\$ 13,900,761	\$ 42,658,651	\$ 38,783,125
Capital assets	17,484,998	17,163,564	51,141,874	50,148,973	68,626,872	67,312,537
Total assets	\$ 45,469,960	\$ 42,045,928	\$ 65,815,563	\$ 64,049,734	\$ 111,285,523	\$ 106,095,662
Deferred outflows of resources	3,988,455	4,982,572	865,898	1,302,588	4,854,353	6,285,160
Total assets and deferred outflows of resources	\$ 49,458,415	\$ 47,028,500	\$ 66,681,461	\$ 65,352,322	\$ 116,139,876	\$ 112,380,822
Long-term liabilities outstanding	\$ 26,486,267	\$ 24,592,895	\$ 27,696,924	\$ 28,345,109	\$ 54,183,191	\$ 52,938,004
Current liabilities	12,832,539	12,177,652	2,888,377	1,980,521	15,720,916	14,158,173
Total liabilities	\$ 39,318,806	\$ 36,770,547	\$ 30,585,301	\$ 30,325,630	\$ 69,904,107	\$ 67,096,177
Deferred inflows of resources	\$ 3,818,105	\$ 9,168,433	\$ 975,291	\$ 2,013,269	\$ 4,793,396	\$ 11,181,702
Net position:						
Net investment in capital assets	\$ 10,651,069	\$ 9,218,432	\$ 29,124,441	\$ 26,842,796	\$ 39,775,510	\$ 36,061,228
Unrestricted	(4,329,565)	(8,128,912)	5,996,428	6,170,627	1,666,863	(1,958,285)
Total net position	\$ 6,321,504	\$ 1,089,520	\$ 35,120,869	\$ 33,013,423	\$ 41,442,373	\$ 34,102,943
Total liabilities, deferred inflows of resources and net position	\$ 49,458,415	\$ 47,028,500	\$ 66,681,461	\$ 65,352,322	\$ 116,139,876	\$ 112,380,822

At the end of FY2023, the City's net investment in capital assets is \$39,775,510. These capital assets are used to deliver services to City residents and business; and accordingly, these assets are not available for future spending. Although the important and needed investment in capital assets is reported as net investment in capital assets, it should be noted that the resources needed to repay such debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

At the end of the current Fiscal Year, the City's Governmental Activities net investment in capital assets is \$10,651,069.

Restricted Assets represent resources subject to external restrictions on how they may be used. In FY2023, the City held cash restricted for Electric and Water customer deposits totaling \$389,500.

Governmental Activities - Governmental activities increased Martinsville City's net position by \$5,231,984. The key elements of this decrease are found in exhibit 2.

**City of Martinsville, Virginia  
Changes in Net Position  
Governmental and Business-Type Activities  
For the Years Ended June 30, 2023 and 2022**

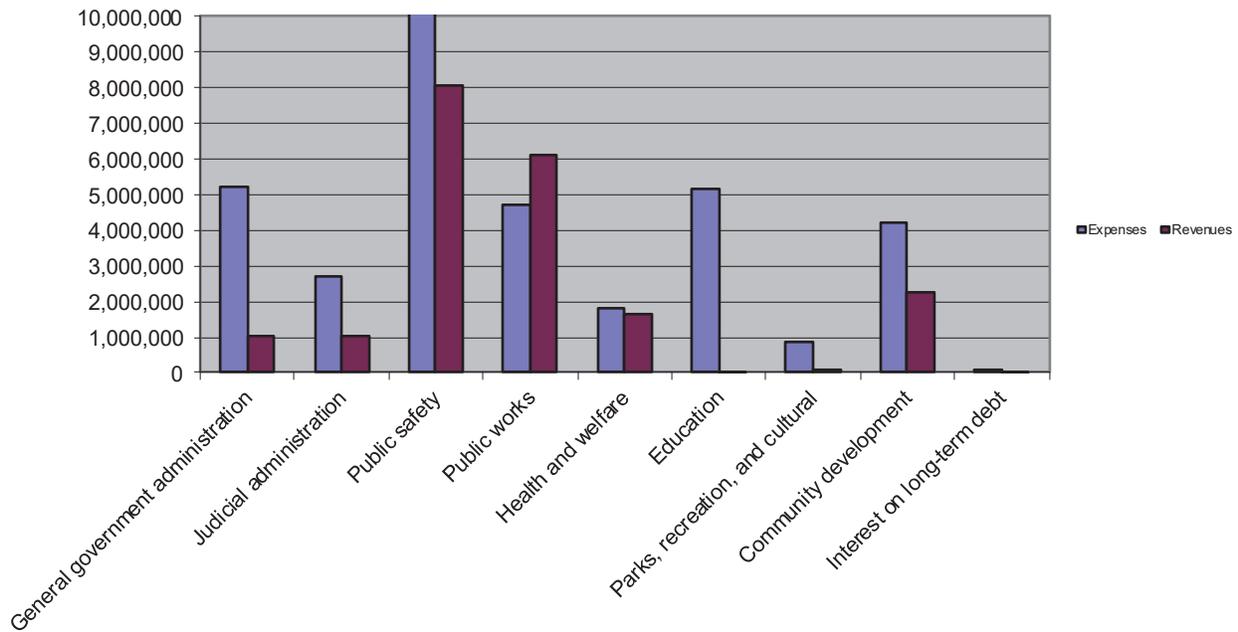
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,690,563	\$ 2,569,155	\$ 29,910,617	\$ 28,900,689	\$ 32,601,180	\$ 31,469,844
Operating grants and contributions	15,927,225	11,175,463	-	-	15,927,225	11,175,463
Capital grants and contributions	1,609,727	179,625	-	57,989	1,609,727	237,614
General revenues:						
General property taxes	10,432,820	9,681,294	-	-	10,432,820	9,681,294
Other local taxes	9,178,807	9,019,241	-	-	9,178,807	9,019,241
Commonwealth non-categorical aid	1,387,358	1,403,996	-	-	1,387,358	1,403,996
Other general revenues	1,795,327	2,299,449	841,863	508,539	2,637,190	2,807,988
Total revenues	\$ 43,021,827	\$ 36,328,223	\$ 30,752,480	\$ 29,467,217	\$ 73,774,307	\$ 65,795,440
Expenses:						
General government administration	\$ 5,194,243	\$ 6,235,576	\$ -	\$ -	\$ 5,194,243	\$ 6,235,576
Judicial administration	2,706,080	2,767,408	-	-	2,706,080	2,767,408
Public safety	13,073,788	12,894,682	-	-	13,073,788	12,894,682
Public works	4,698,354	3,942,681	-	-	4,698,354	3,942,681
Health and welfare	1,795,566	1,625,251	-	-	1,795,566	1,625,251
Education	5,182,631	6,220,948	-	-	5,182,631	6,220,948
Parks, recreation, and cultural	855,227	990,529	-	-	855,227	990,529
Community development	4,208,581	3,478,652	-	-	4,208,581	3,478,652
Interest on long-term debt	75,373	89,952	-	-	75,373	89,952
Electric	-	-	19,557,213	20,597,013	19,557,213	20,597,013
Water	-	-	2,566,198	2,559,635	2,566,198	2,559,635
Sewer	-	-	4,516,026	4,141,061	4,516,026	4,141,061
Refuse collection/landfill	-	-	2,005,597	1,997,015	2,005,597	1,997,015
Total expenses	\$ 37,789,843	\$ 38,245,679	\$ 28,645,034	\$ 29,294,724	\$ 66,434,877	\$ 67,540,403
Change in net position before transfers	\$ 5,231,984	\$ (1,917,456)	\$ 2,107,446	\$ 172,493	\$ 7,339,430	\$ (1,744,963)
Transfers	-	2,141,688	-	(2,141,688)	-	-
Change in net position	\$ 5,231,984	\$ 224,232	\$ 2,107,446	\$ (1,969,195)	\$ 7,339,430	\$ (1,744,963)
Net position - beginning	1,089,520	865,288	33,013,423	34,982,618	34,102,943	35,847,906
Net position - ending	\$ 6,321,504	\$ 1,089,520	\$ 35,120,869	\$ 33,013,423	\$ 41,442,373	\$ 34,102,943

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

Revenues in governmental activities totaled \$43,021,827 with operating grants and contributions (37.02%), general property taxes (24.25%), and other local taxes (21.34%) comprising 82.61% of the City’s revenues. Expenses for public safety (34.60%), education (13.71%), public works (12.43%), community development (11.14%), and general government administration (13.75%), account for 85.63% of total governmental expenses of \$37,789,843.

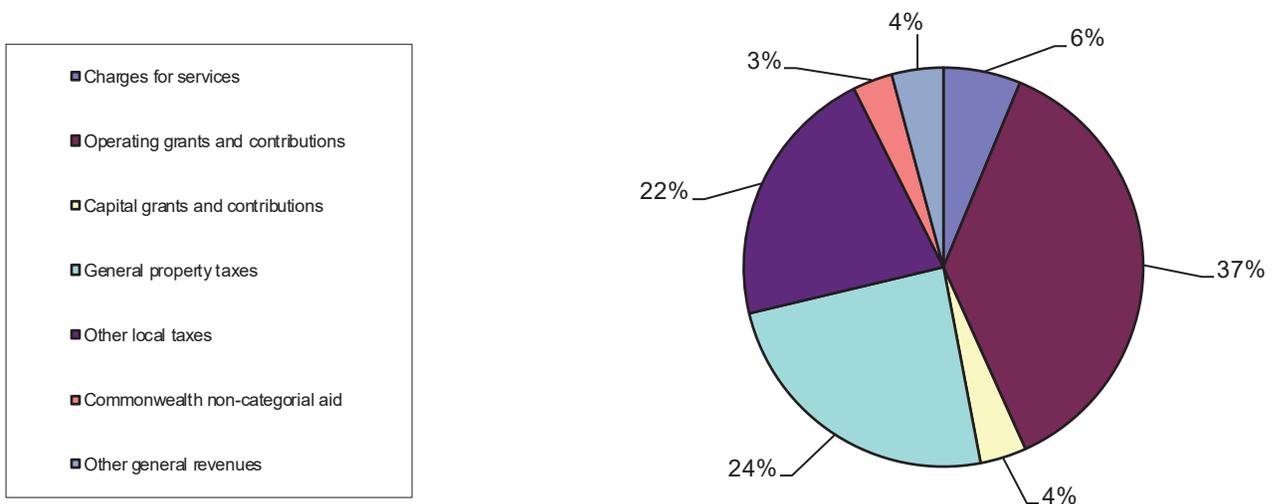
The chart below compares the revenues and expenses by program for governmental activities. It is common throughout the Commonwealth for expenses to outpace the revenues because most of the programs are not able to generate revenue. For those programs that can generate revenue (Recreation, Building Inspections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

**Expenses and Revenues - Governmental Activities**



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

**Revenues by Source - Governmental Activities**



Business-type Activities increased the City’s net position by \$2,107,446. There were no transfers out of business-type activities during the current fiscal year.

**Financial Analysis of the City’s Funds**

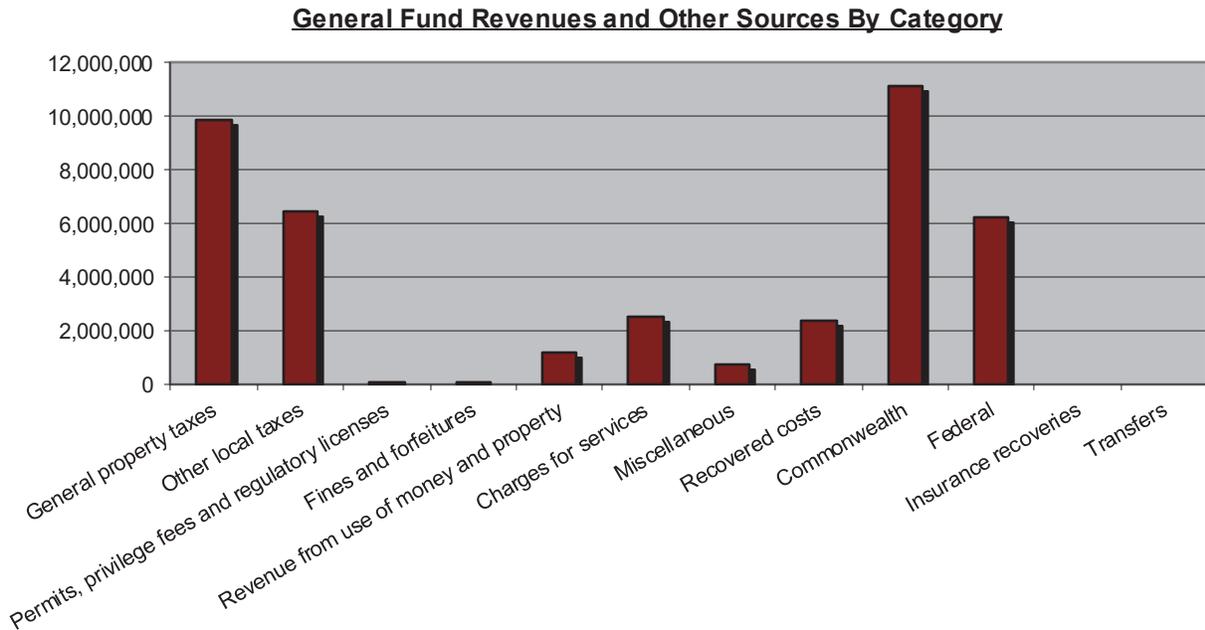
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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 \$12,650,198 an increase of \$1,809,821 when compared to the prior year. \$6,430,285, or 50.83%, of the combined governmental fund balance is unassigned. The remaining \$6,219,913, or 49.17%, 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, 2023 of \$9,001,132. This is an increase from the prior year of \$206,608. The General Fund revenue exceeded expenditures in the current year by \$2,277,380; the expenditures exceeded revenues in FY22 by \$2,277,380. There were no transfers into the General Fund in FY23 as compared to \$2,141,688 of transfers into the General Fund in FY22. There were no transfers out of the General Fund. \$6,430,285, representing 71.44% of the total fund balance is unassigned, an increase of \$144,225, compared to \$6,286,060 of unassigned fund balance from June 30, 2022. As a measure of the General Fund’s liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15.92% of total General Fund expenditures, while total fund balance is 22.28% of that same amount.

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

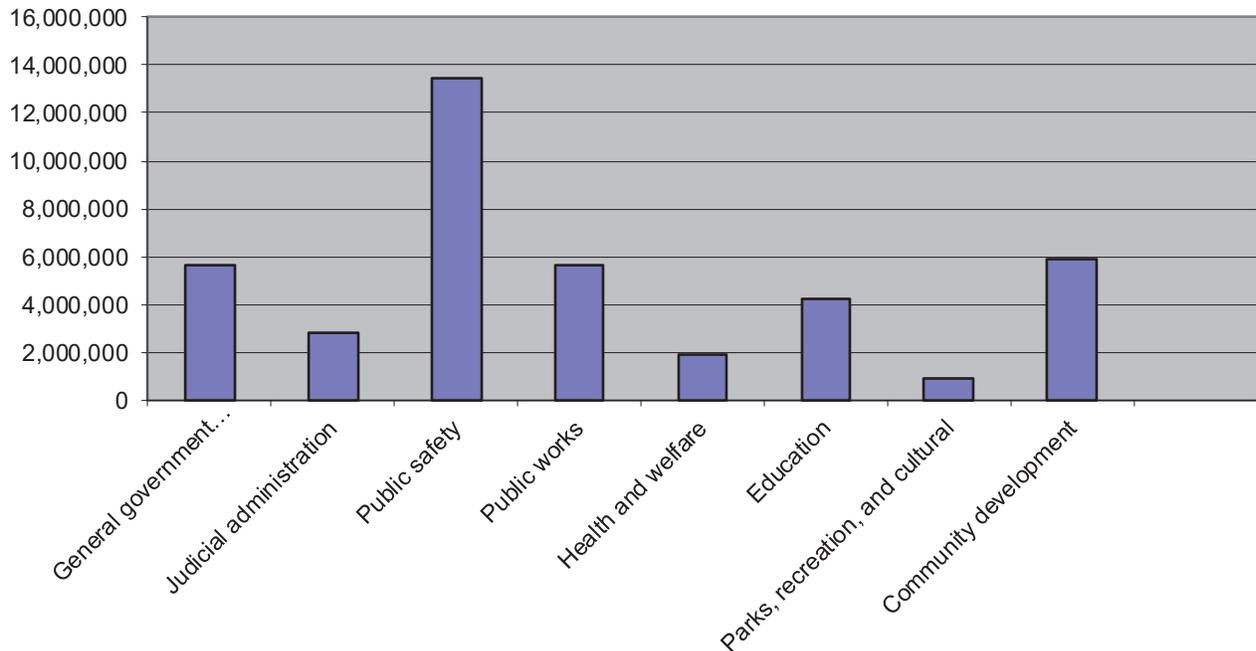
The following graph depicts General Fund revenues and other sources by categories. Total revenues and other sources are \$40,599,969.



## **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 \$40,393,361.

### **General Fund Expenditures and Other Sources By Category**



**Proprietary funds** – reported combined ending net position of \$35,120,869, an increase of \$2,107,446 in comparison with the amount reported on June 30, 2022. The Electric Fund increased \$484,456; the Refuse Fund increased \$169,241; the Water Fund increased \$1,345,178; and the Sewer Fund increased \$108,571.

The Enterprise Funds did not contribute to the support of other City operations in FY2023. Transfers were not made to the General Fund in FY2023.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were as follows. Revenues were increased by \$934,040 or 2.89%, while expenditures increased by \$2,030,096 or 5.22%.

The Revenue increases (decreases) were as follows:

- \$132,191 in Miscellaneous
- \$3,776 in Intergovernmental revenues from the Commonwealth
- \$798,073 in Intergovernmental revenues from the Federal Government

The Expenditure amendments were as follows:

- \$74,835 in Judicial administration
- \$1,455,477 in Public Safety
- \$321,463 in Public Works
- \$126,789 in Health and welfare
- \$6,571 in Parks, recreation, and cultural
- \$44,961 in Community development

During the year, actual revenues were greater than budgeted by \$7,326,883 or 22.02%; actual expenditures were less than the budget by \$498,313 or 1.22%. The result was a positive variance of \$7,825,196 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, 2023, is \$68,626,872 (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 FY2023 were: public works equipment, patrol cars, trucks, and continuing facility renovations.

### **City of Martinsville, Virginia's Capital Assets June 30, 2023 and 2022**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Land	\$ 4,379,094	\$ 4,379,094	\$ 683,624	\$ 683,624	\$ 5,062,718	\$ 5,062,718
Construction in progress	1,546,343	-	1,467,693	-	3,014,036	0
Buildings and improvements	13,877,501	15,747,925	6,779,238	6,779,238	20,656,739	22,527,163
Infrastructure	34,775,970	34,731,414	95,685,926	91,158,664	130,461,896	125,890,078
Equipment	12,925,621	12,110,125	11,257,465	9,817,545	24,183,086	21,927,670
Total	\$ 67,504,529	\$ 66,968,558	\$ 115,873,946	\$ 108,439,071	\$ 183,378,475	\$ 175,407,629
Less: accumulated depreciation	50,019,531	48,228,378	64,732,072	60,581,037	114,751,603	108,809,415
Net capital assets	\$ 17,484,998	\$ 18,740,180	\$ 51,141,874	\$ 47,858,034	\$ 68,626,872	\$ 66,598,214

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

**Long-term debt** – At the close of FY2023, Martinsville City had total outstanding obligations (not including pension or OPEB obligations) of \$32,307,228. Of this amount, \$6,664,346 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 \$2,222,480. 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, 2023 the City’s ratio of Net General Obligation Debt to Assessed Value was 1.02%. 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 FY2023 Budget and Tax Rates**

The FY23 budget continued the strategy of streamlining expenses, funding essential capital expenditures, evaluating personnel vacancies on a case-by-case basis, and continuing an internal cost allocation plan to ensure costs attributed to utility operations are fairly and accurately recovered in the City’s General Fund.

The City Council reduced the real estate tax rate from \$1.0621 to \$1.03975 per \$100 to lessen the tax burden resulting from increased assessment values. Additionally, for the FY23 budget, the City Council voted to assess certain vehicles (passenger cars, small trucks, & and motorcycles) at 80% of FMV retroactive to January 1, 2022, to lessen the tax burden resulting from increased assessment values. Other basic tax rates remain unchanged in FY23. Meals Tax revenue is generally applied to School debt service and capital needs while Cigarette Tax revenue simply accrues to General Fund revenue.

## **Economic Factors Influencing FY2023 Budget and Tax Rates: (Continued)**

### Looking Ahead

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

1. **COVID-19 Impacts** – The COVID-19 pandemic impacted national, state, and local economies as businesses were closed or in some cases reduced hours and capacity in response to aggressive mandates aimed at reducing public exposure. A variety of grant programs, utility assistance, and the American Rescue Plan Act have been essential in the recovery.
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 COVID-19 and that number has since rebounded favorably. The unemployment rate for the City on June 30, 2023, was 4.9% compared to 8.3% on June 30, 2022. 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. The inability to fill City government positions will impact salary and benefit expenditures as well as overtime and contractual services. The city experienced higher turnover in FY23 as well as turnover in key city positions.
3. **Reductions in state and unfunded mandates** – A continuing concern for the city is regarding potential reductions in state aid during periods when the state revenue fails to meet budget projections. The practice is unpredictable and creates additional fiscal stress for the city. For example, House Bill 599 (HB599) is an example of the fiscal stress to the City's General Fund.
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 the Virginia Retirement System (VRS) contributions, all of which have a significant and continuing impact to the city. The ability to remain competitive with pay and benefits in the regional market to retain and attract a talented workforce is a significant challenge, not necessarily unique to Martinsville.
5. **Policy** – The City Council approves the annual budget following City Manager/staff recommendations, and its analysis of the needs of the City, including the City's overall financial position, and economic conditions, with careful consideration of input and comments from 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 of Martinsville are accustomed to receiving. Management and Council realize the trend of providing current levels of service without evaluating the rate structure, revenues, and charges for services.
6. **Exploration of new revenue opportunities** – With direction from the City Council, staff continues to explore opportunities for revenue growth. Continued expansion of the City's fiber optic system shows potential while expansion opportunities are evaluated based on expected return on investment.
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 well 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 saving while keeping services unchanged, and other such opportunities are being considered. The City's Electric Department in cooperation with AEP Energy recently completed a battery storage project that is expected to generate significant savings for the city and utility customers.

## **Economic Factors Influencing FY2023 Budget and Tax Rates: (Continued)**

8. **Uptown Revitalization Projects** – To accelerate the redevelopment of vacant and underutilized properties, the City is taking a more aggressive position on property acquisitions with a plan to leverage available funding through grants, and or other sources to repurpose properties to enhance the community. The establishment of the Land Bank is expected to complement the revitalization efforts with several projects. Additionally, the City is involved in several uptown redevelopment projects that will positively impact housing capacity, tax revenue growth, etc. Projects include BB & T project, the Five Points Housing Project, the Aaron Mill’s Senior Living Project, and the property located at 62 Fayette Street.
9. **Job Creation** – The City continues to partner with Martinsville Henry County Economic Development Corporation (EDC), Henry County Administrators, in economic development. In FY23, efforts continue to retain and attract business and industries to our area and Martinsville and Henry County and region.
10. **Industrial Parks**– The City and Henry County partner in economic development through joint funding of the Martinsville-Henry County Economic Development Corporation. Additionally, a revenue-sharing agreement exists between the City and County at two County Industrial Parks. Under the agreement, the city is to receive one-third of the revenue generated after Henry County recovers its initial investment. The newest industrial Park, Commonwealth Crossing Business Center (CCBC), a 726-acre rail-served site, has become the focus of strategic development efforts and grading of several tracts at the site is completed/underway. The first tenant, Press Glass, now operates a 43.5M to construct a 280,000 square foot facility. Crown Holdings, the second tenant built an estimated 145M facility, with 20M expansion underway. Both the City and County expect more and more economic interest in these sites.
11. **Infrastructure Needs** – The City continues to address essential infrastructure needs, recently completing several projects – repairs to the sewer collection system, replaced water and election meters with an automation system, and upgraded lighting in city facilities in the past several years. Jones Creek Interceptor Project, Doe Run sewer line improvement, investments in Hooker Field, and other improvements using grants, American Rescue Plan Act (ARPA), etc.

### **Looking Ahead**

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

### **Requests for Information**

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

## **Basic Financial Statements**



## **Government-wide Financial Statements**

Statement of Net Position  
At June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 21,678,327	\$ 8,903,176	\$ 30,581,503	\$ 975,758
Cash and cash equivalents - restricted	-	389,500	389,500	-
Receivables (net of allowance for uncollectibles):				
Property taxes	1,971,677	-	1,971,677	-
Accounts receivable	507,618	3,869,829	4,377,447	-
Inventory	2,920,167	1,511,184	4,431,351	-
Due from other governments	907,173	-	907,173	2,682,430
<b>Total Current Assets</b>	<b>\$ 27,984,962</b>	<b>\$ 14,673,689</b>	<b>\$ 42,658,651</b>	<b>\$ 3,658,188</b>
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	1,546,343	1,467,693	3,014,036	600,905
Buildings and improvements	4,219,903	1,903,633	6,123,536	12,722,471
Equipment	3,430,059	3,332,312	6,762,371	644,552
Infrastructure	3,909,599	43,754,612	47,664,211	-
<b>Total Net Capital Assets</b>	<b>\$ 17,484,998</b>	<b>\$ 51,141,874</b>	<b>\$ 68,626,872</b>	<b>\$ 14,015,100</b>
<b>Total Noncurrent Assets</b>	<b>\$ 17,484,998</b>	<b>\$ 51,141,874</b>	<b>\$ 68,626,872</b>	<b>\$ 14,015,100</b>
<b>Total Assets</b>	<b>\$ 45,469,960</b>	<b>\$ 65,815,563</b>	<b>\$ 111,285,523</b>	<b>\$ 17,673,288</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Items related to:				
Pension	\$ 3,424,934	\$ 747,501	\$ 4,172,435	\$ 3,343,051
OPEB	563,521	118,397	681,918	405,299
<b>Total deferred outflows of resources</b>	<b>\$ 3,988,455</b>	<b>\$ 865,898</b>	<b>\$ 4,854,353</b>	<b>\$ 3,748,350</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 49,458,415</b>	<b>\$ 66,681,461</b>	<b>\$ 116,139,876</b>	<b>\$ 21,421,638</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 3,283,207	\$ 1,513,635	\$ 4,796,842	\$ 1,413,205
Accrued interest payable	187,561	52,487	240,048	-
Unearned revenues	8,170,906	-	8,170,906	-
Current portion of long-term obligations	1,190,865	1,322,255	2,513,120	-
<b>Total Current Liabilities</b>	<b>\$ 12,832,539</b>	<b>\$ 2,888,377</b>	<b>\$ 15,720,916</b>	<b>\$ 1,413,205</b>
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations	\$ 26,486,267	\$ 27,696,924	\$ 54,183,191	\$ 16,587,388
<b>Total Noncurrent Liabilities</b>	<b>\$ 26,486,267</b>	<b>\$ 27,696,924</b>	<b>\$ 54,183,191</b>	<b>\$ 16,587,388</b>
<b>Total Liabilities</b>	<b>\$ 39,318,806</b>	<b>\$ 30,585,301</b>	<b>\$ 69,904,107</b>	<b>\$ 18,000,593</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ 76,394	\$ -	\$ 76,394	\$ -
Items related to:				
Pension	3,444,819	911,902	4,356,721	3,597,038
OPEB	296,892	63,389	360,281	586,257
<b>Total deferred inflows of resources</b>	<b>\$ 3,818,105</b>	<b>\$ 975,291</b>	<b>\$ 4,793,396</b>	<b>\$ 4,183,295</b>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 10,651,069	\$ 29,124,441	\$ 39,775,510	\$ 14,015,100
Restricted:				
Opioid settlement	466,366	-	466,366	-
Unrestricted	(4,795,931)	5,996,428	1,200,497	(14,777,350)
<b>Total Net Position</b>	<b>\$ 6,321,504</b>	<b>\$ 35,120,869</b>	<b>\$ 41,442,373</b>	<b>\$ (762,250)</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 49,458,415</b>	<b>\$ 66,681,461</b>	<b>\$ 116,139,876</b>	<b>\$ 21,421,638</b>

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, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 4,356,550	\$ 55,049	\$ 948,759	\$ -
Judicial administration	2,706,080	148,516	894,408	-
Public safety	13,073,788	850,784	5,701,391	1,519,768
Public works	4,698,354	1,636,214	4,401,127	89,959
Health and welfare	1,795,566	-	1,656,429	-
Education	6,020,324	-	-	-
Parks, recreation, and cultural	855,227	-	43,771	-
Community development	4,208,581	-	2,281,340	-
Interest on long-term debt	75,373	-	-	-
Total governmental activities	\$ 37,789,843	\$ 2,690,563	\$ 15,927,225	\$ 1,609,727
Business-type activities:				
Electric	\$ 19,557,213	\$ 19,678,564	\$ -	\$ -
Water	2,566,198	3,680,789	-	-
Sewer	4,516,026	4,601,211	-	-
Refuse collection / landfill	2,005,597	1,950,053	-	-
Total business-type activities	\$ 28,645,034	\$ 29,910,617	\$ -	\$ -
Total primary government	\$ 66,434,877	\$ 32,601,180	\$ 15,927,225	\$ 1,609,727
<b>COMPONENT UNIT:</b>				
School Board	\$ 29,343,683	\$ 185,104	\$ 27,023,091	\$ -

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  
 Total general revenues  
 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.

<b>Net (Expense) Revenue and Changes in Net Position</b>				
<b>Primary Government</b>			<b>Component Unit</b>	
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>School Board</b>	<b>Functions/Programs</b>
PRIMARY GOVERNMENT:				
Governmental activities:				
\$ (3,352,742)	\$ -	\$ (3,352,742)	\$ -	General government administration
(1,663,156)	-	(1,663,156)	-	Judicial administration
(5,001,845)	-	(5,001,845)	-	Public safety
1,428,946	-	1,428,946	-	Public works
(139,137)	-	(139,137)	-	Health and welfare
(6,020,324)	-	(6,020,324)	-	Education
(811,456)	-	(811,456)	-	Parks, recreation, and cultural
(1,927,241)	-	(1,927,241)	-	Community development
(75,373)	-	(75,373)	-	Interest on long-term debt
<u>\$ (17,562,328)</u>	<u>\$ -</u>	<u>\$ (17,562,328)</u>	<u>\$ -</u>	Total government activities
Business-type activities:				
\$ -	\$ 121,351	\$ 121,351	\$ -	Electric
-	1,114,591	1,114,591	-	Water
-	85,185	85,185	-	Sewer
-	(55,544)	(55,544)	-	Refuse collection / landfill
<u>\$ -</u>	<u>\$ 1,265,583</u>	<u>\$ 1,265,583</u>	<u>\$ -</u>	Total business-type activities
<u>\$ (17,562,328)</u>	<u>\$ 1,265,583</u>	<u>\$ (16,296,745)</u>	<u>\$ -</u>	Total primary government
COMPONENT UNIT:				
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,135,488)</u>	School Board
General revenues:				
\$ 10,432,820	\$ -	\$ 10,432,820	\$ -	General property taxes
2,495,785	-	2,495,785	-	Local sales tax
2,231,478	-	2,231,478	-	Business license tax
2,754,823	-	2,754,823	-	Meals tax
575,551	-	575,551	-	Consumer utility tax
1,121,170	-	1,121,170	-	Other local taxes
1,170,396	23,386	1,193,782	44,538	Unrestricted revenues from use of money and property
624,931	818,477	1,443,408	443,460	Miscellaneous
1,387,358	-	1,387,358	-	Grants and contributions not restricted to specific programs
-	-	-	5,074,383	City contribution to the school board, unrestricted
<u>\$ 22,794,312</u>	<u>\$ 841,863</u>	<u>\$ 23,636,175</u>	<u>\$ 5,562,381</u>	Total general revenues and transfers
<u>\$ 5,231,984</u>	<u>\$ 2,107,446</u>	<u>\$ 7,339,430</u>	<u>\$ 3,426,893</u>	Change in net position
<u>\$ 1,089,520</u>	<u>\$ 33,013,423</u>	<u>\$ 34,102,943</u>	<u>\$ (4,189,143)</u>	Net position - beginning, as restated
<u>\$ 6,321,504</u>	<u>\$ 35,120,869</u>	<u>\$ 41,442,373</u>	<u>\$ (762,250)</u>	Net position - ending

## **Fund Financial Statements**



Balance Sheet - Governmental Funds  
At June 30, 2023

	General	Meals Tax Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,990,751	\$ 1,658,290	\$ 2,029,286	\$ 21,678,327
Receivables (net of allowance for uncollectibles):				
Taxes, including penalties	1,971,677	-	-	1,971,677
Accounts	507,618	-	-	507,618
Inventory	1,309,691	-	-	1,309,691
Due from other governments	907,173	-	-	907,173
Total assets	<u>\$ 22,686,910</u>	<u>\$ 1,658,290</u>	<u>\$ 2,029,286</u>	<u>\$ 26,374,486</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	\$ 3,244,697	-	\$ 38,510	\$ 3,283,207
Unearned revenue	8,170,906	-	-	8,170,906
Total liabilities	<u>\$ 11,415,603</u>	<u>\$ -</u>	<u>\$ 38,510</u>	<u>\$ 11,454,113</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	\$ 1,803,809	-	-	\$ 1,803,809
Unavailable revenue-opioid settlement	466,366	-	-	466,366
Total deferred inflows of resources	<u>\$ 2,270,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,270,175</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventory	\$ 1,309,691	-	-	\$ 1,309,691
Restricted:				
Capital projects	-	-	-	-
Opioid settlement	184,685	-	-	184,685
Committed:				
General government administration	287,170	-	-	287,170
Judicial administration	34,907	-	-	34,907
Public safety	836,421	-	-	836,421
Public works	5,669	-	-	5,669
Community development	96,989	-	-	96,989
Assigned:				
Capital reserve fund	-	-	1,866,716	1,866,716
Special revenue	-	-	124,060	124,060
Meals tax fund	-	1,658,290	-	1,658,290
Unassigned	6,245,600	-	-	6,245,600
Total fund balances	<u>\$ 9,001,132</u>	<u>\$ 1,658,290</u>	<u>\$ 1,990,776</u>	<u>\$ 12,650,198</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,686,910</u>	<u>\$ 1,658,290</u>	<u>\$ 2,029,286</u>	<u>\$ 26,374,486</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	\$ 12,650,198
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	17,484,998
Inventory of land and buildings held for resale	1,610,476
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Unavailable revenue - property taxes	\$ 1,727,415
Unavailable revenue - opioid settlement	466,366
	<u>2,193,781</u>
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	\$ 3,424,934
OPEB items	563,521
	<u>3,988,455</u>
Deferred inflows related to:	
Pension items	\$ (3,444,819)
OPEB items	(296,892)
	<u>(3,741,711)</u>
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.	(27,677,132)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(187,561)
Net position of General Government Activities	<u>\$ 6,321,504</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, 2023

	<u>General</u>	<u>Meals Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
General property taxes	\$ 9,862,327	\$ -	\$ -	\$ 9,862,327
Other local taxes	6,423,984	2,754,823	-	9,178,807
Permits, privilege fees and regulatory licenses	65,904	-	-	65,904
Fines and forfeitures	92,088	-	-	92,088
Revenue from use of money and property	1,164,281	-	6,115	1,170,396
Charges for services	2,532,571	-	-	2,532,571
Miscellaneous	716,786	-	-	716,786
Recovered costs	2,365,961	-	-	2,365,961
Intergovernmental:				
Commonwealth	11,145,956	-	1,519,768	12,665,724
Federal	6,230,111	372,721	28,475	6,631,307
 Total revenues	 \$ 40,599,969	 \$ 3,127,544	 \$ 1,554,358	 \$ 45,281,871
Expenditures:				
Current:				
General government administration	\$ 5,605,753	\$ 67,278	\$ 944,423	\$ 6,617,454
Judicial administration	2,823,022	-	-	2,823,022
Public safety	13,416,450	-	186,470	13,602,920
Public works	5,620,115	-	298,041	5,918,156
Health and welfare	1,901,735	-	-	1,901,735
Education	4,256,525	-	-	4,256,525
Parks, recreation, and cultural	912,257	-	5,000	917,257
Community development	5,857,504	-	11,485	5,868,989
Debt service:				
Principal retirement	-	777,465	333,738	1,111,203
Interest and other fiscal charges	-	427,179	27,610	454,789
 Total expenditures	 \$ 40,393,361	 \$ 1,271,922	 \$ 1,806,767	 \$ 43,472,050
 Excess (deficiency) of revenues over (under) expenditures	 \$ 206,608	 \$ 1,855,622	 \$ (252,409)	 \$ 1,809,821
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 1,450,799	\$ 1,450,799
Transfers (out)	-	(1,450,799)	-	(1,450,799)
 Total other financing sources (uses)	 \$ -	 \$ (1,450,799)	 \$ 1,450,799	 \$ -
 Changes in fund balances	 \$ 206,608	 \$ 404,823	 \$ 1,198,390	 \$ 1,809,821
Fund balances at beginning of year	8,794,524	1,253,467	792,386	10,840,377
Fund balances at end of year	<u>\$ 9,001,132</u>	<u>\$ 1,658,290</u>	<u>\$ 1,990,776</u>	<u>\$ 12,650,198</u>

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, 2023

		<u>Primary Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds	\$	1,809,821
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	\$ 2,250,279	
Depreciation expense	<u>(1,151,380)</u>	1,098,899
Transfer of joint tenancy assets from Primary Government to the Component Unit		(777,465)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of the following:		
Change in unavailable revenue - property taxes	\$ 570,493	
Change in unavailable revenue - opioid settlement	(91,855)	
Change in deferred inflows related to the measurement of:		
Pension items	5,397,578	
OPEB items	<u>(36,353)</u>	5,839,863
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, similar items when obligations are first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Details supporting this adjustment are as follows:		
Principal retired on general obligation bonds	\$ 89,800	
Principal retired on capital financing activities	243,938	
Principal retired on VPA subsidy bonds	777,465	
Repayment of grant funds	<u>156,000</u>	1,267,203
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	\$ (40,249)	
Change in deferred outflows related to:		
Pension items	(1,065,296)	
OPEB items	71,179	
Change in net pension liability	(3,188,995)	
Change in net OPEB liability - group life insurance	(18,504)	
Change in total Pay-as-you-Go OPEB liability	228,835	
Change in accrued interest payable	<u>6,693</u>	<u>(4,006,337)</u>
Change in net position of governmental activities	\$	<u>5,231,984</u>

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

Proprietary Funds  
Statement of Net Position  
At June 30, 2023

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ -	\$ 4,732,401	\$ 1,766,079	\$ 2,616,008	\$ 9,114,488
Cash and cash equivalents - restricted	343,461	46,039	-	-	389,500
Receivables (net of allowance for uncollectibles):	2,611,287	502,461	466,211	289,870	3,869,829
Inventory	1,285,395	225,789	-	-	1,511,184
Total current assets	<u>\$ 4,240,143</u>	<u>\$ 5,506,690</u>	<u>\$ 2,232,290</u>	<u>\$ 2,905,878</u>	<u>\$ 14,885,001</u>
<b>Noncurrent Assets</b>					
Capital assets:					
Land	\$ -	\$ 658,224	\$ 25,400	\$ -	\$ 683,624
Construction in progress	-	1,060,892	381,801	25,000	1,467,693
Buildings and improvements	586,744	1,993,728	1,230,905	2,967,861	6,779,238
Equipment	4,020,535	1,954,032	2,794,799	2,488,099	11,257,465
Infrastructure	41,110,304	18,925,393	35,650,229	-	95,685,926
Accumulated depreciation	<u>(27,174,447)</u>	<u>(13,802,630)</u>	<u>(20,089,084)</u>	<u>(3,665,911)</u>	<u>(64,732,072)</u>
Total capital assets (net of accumulated depreciation)	<u>\$ 18,543,136</u>	<u>\$ 10,789,639</u>	<u>\$ 19,994,050</u>	<u>\$ 1,815,049</u>	<u>\$ 51,141,874</u>
Total assets	<u>\$ 22,783,279</u>	<u>\$ 16,296,329</u>	<u>\$ 22,226,340</u>	<u>\$ 4,720,927</u>	<u>\$ 66,026,875</u>
<b>Deferred Outflows of Resources</b>					
Items related to:					
Pension	\$ 239,887	\$ 152,002	\$ 270,189	\$ 85,423	\$ 747,501
OPEB	35,614	25,360	44,586	12,837	118,397
Total deferred outflows of resources	<u>\$ 275,501</u>	<u>\$ 177,362</u>	<u>\$ 314,775</u>	<u>\$ 98,260</u>	<u>\$ 865,898</u>
Total assets and deferred outflows of resources	<u>\$ 23,058,780</u>	<u>\$ 16,473,691</u>	<u>\$ 22,541,115</u>	<u>\$ 4,819,187</u>	<u>\$ 66,892,773</u>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 65,682	\$ 793,176	\$ 202,163	\$ 63,114	\$ 1,124,135
Reconciled overdraft	211,312	-	-	-	211,312
Customers' deposits	343,461	46,039	-	-	389,500
Interest payable	31,731	16,546	-	4,210	52,487
Current portion of long-term obligations	317,816	317,224	640,952	46,263	1,322,255
Total current liabilities	<u>\$ 970,002</u>	<u>\$ 1,172,985</u>	<u>\$ 843,115</u>	<u>\$ 113,587</u>	<u>\$ 3,099,689</u>
<b>Noncurrent liabilities:</b>					
Noncurrent portion of long-term obligations	4,202,022	4,622,696	15,577,473	3,294,733	27,696,924
Total liabilities	<u>\$ 5,172,024</u>	<u>\$ 5,795,681</u>	<u>\$ 16,420,588</u>	<u>\$ 3,408,320</u>	<u>\$ 30,796,613</u>
<b>Deferred Inflows of Resources</b>					
Items related to:					
Pension	\$ 217,735	\$ 224,943	\$ 389,769	\$ 79,455	\$ 911,902
OPEB	18,654	13,731	24,230	6,774	63,389
Total deferred inflows of resources:	<u>\$ 236,389</u>	<u>\$ 238,674</u>	<u>\$ 413,999</u>	<u>\$ 86,229</u>	<u>\$ 975,291</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 15,417,136	\$ 6,804,069	\$ 5,422,187	\$ 1,481,049	\$ 29,124,441
Unrestricted	2,233,231	3,635,267	284,341	(156,411)	5,996,428
Total net position	<u>\$ 17,650,367</u>	<u>\$ 10,439,336</u>	<u>\$ 5,706,528</u>	<u>\$ 1,324,638</u>	<u>\$ 35,120,869</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 23,058,780</u>	<u>\$ 16,473,691</u>	<u>\$ 22,541,115</u>	<u>\$ 4,819,187</u>	<u>\$ 66,892,773</u>

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, 2023

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
<b>Operating revenues:</b>					
Charges for services	\$ 19,678,564	\$ 3,680,789	\$ 4,601,211	\$ 1,950,053	\$ 29,910,617
Miscellaneous	363,105	230,587	-	224,785	818,477
Total operating revenues	<u>\$ 20,041,669</u>	<u>\$ 3,911,376</u>	<u>\$ 4,601,211</u>	<u>\$ 2,174,838</u>	<u>\$ 30,729,094</u>
<b>Operating expenses:</b>					
Personnel services	\$ 894,382	\$ 667,080	\$ 1,054,807	\$ 328,445	\$ 2,944,714
Fringe benefits	370,749	263,261	270,828	134,407	1,039,245
Contractual services	235,463	119,176	182,214	151,466	688,319
Other charges	17,287,459	1,103,426	2,116,733	1,162,919	21,670,537
Depreciation	687,510	357,800	891,444	219,125	2,155,879
Total operating expenses	<u>\$ 19,475,563</u>	<u>\$ 2,510,743</u>	<u>\$ 4,516,026</u>	<u>\$ 1,996,362</u>	<u>\$ 28,498,694</u>
<b>Operating income (loss)</b>	<u>\$ 566,106</u>	<u>\$ 1,400,633</u>	<u>\$ 85,185</u>	<u>\$ 178,476</u>	<u>\$ 2,230,400</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income	\$ -	\$ -	\$ 23,386	\$ -	\$ 23,386
Interest expense	(81,650)	(55,455)	-	(9,235)	(146,340)
Total nonoperating revenues (expenses)	<u>\$ (81,650)</u>	<u>\$ (55,455)</u>	<u>\$ 23,386</u>	<u>\$ (9,235)</u>	<u>\$ (122,954)</u>
<b>Change in net position</b>	<u>\$ 484,456</u>	<u>\$ 1,345,178</u>	<u>\$ 108,571</u>	<u>\$ 169,241</u>	<u>\$ 2,107,446</u>
<b>Net position at beginning of year</b>	<u>17,165,911</u>	<u>9,094,158</u>	<u>5,597,957</u>	<u>1,155,397</u>	<u>33,013,423</u>
<b>Net position at end of year</b>	<u>\$ 17,650,367</u>	<u>\$ 10,439,336</u>	<u>\$ 5,706,528</u>	<u>\$ 1,324,638</u>	<u>\$ 35,120,869</u>

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

Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2023

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers and users	\$ 20,058,785	\$ 3,873,425	\$ 4,555,002	\$ 2,131,220	\$ 30,618,432
Payments to suppliers and other operating expenses	(17,569,313)	(478,170)	(2,229,532)	(1,153,455)	(21,430,470)
Payments to employees (including fringe benefits)	(1,201,697)	(918,320)	(1,504,053)	(481,603)	(4,105,673)
Net cash provided by (used for) operating activities	\$ 1,287,775	\$ 2,476,935	\$ 821,417	\$ 496,162	\$ 5,082,289
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Purchase and construction of capital assets	\$ (1,346,458)	\$ (1,412,948)	\$ (364,374)	\$ (25,000)	\$ (3,148,780)
Retirement of general obligation bonds	-	-	-	(43,000)	(43,000)
Retirement of revenue bonds	-	(96,406)	(634,336)	-	(730,742)
Retirement of financing lease obligations	(305,000)	(210,000)	-	-	(515,000)
Interest expense	(84,746)	(57,586)	-	(9,777)	(152,109)
Net cash provided by (used for) capital and related financing activities	\$ (1,736,204)	\$ (1,776,940)	\$ (998,710)	\$ (77,777)	\$ (4,589,631)
<b>Cash Flows From Investing Activities:</b>					
Interest income	\$ -	\$ -	\$ 23,386	\$ -	\$ 23,386
<b>Net Increase (decrease) in cash and cash equivalents</b>	\$ (448,429)	\$ 699,995	\$ (153,907)	\$ 418,385	\$ 516,044
<b>Cash and cash equivalents at beginning of year</b>	580,578	4,078,445	1,919,986	2,197,623	8,776,632
<b>Cash and cash equivalents at end of year</b>	\$ 132,149	\$ 4,778,440	\$ 1,766,079	\$ 2,616,008	\$ 9,292,676
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ 566,106	\$ 1,400,633	\$ 85,185	\$ 178,476	\$ 2,230,400
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	\$ 687,510	\$ 357,800	\$ 891,444	\$ 219,125	\$ 2,155,879
Changes in operating activities:					
(Increase) decrease in:					
Accounts receivable	(52,888)	(47,335)	(46,209)	(43,618)	(190,050)
Inventory	(62,650)	(4,184)	-	-	(66,834)
Increase (decrease) in:					
Accounts payable	16,259	748,616	69,415	(5,603)	828,687
Deferred outflows of resources	149,751	139,870	112,878	34,191	436,690
Deferred inflows of resources	(337,751)	(202,758)	(373,899)	(123,570)	(1,037,978)
Net pension liability	233,377	83,197	147,148	82,009	545,731
Net OPEB liability - group life insurance	5,676	3,984	1,469	1,196	12,325
Total Pay-as-you-Go OPEB liability	6,821	(7,992)	(43,946)	(4,048)	(49,165)
Compensated absences	5,560	(4,280)	(22,068)	(8,529)	(29,317)
Landfill closure and post-closure liability	-	-	-	166,533	166,533
Customer deposits	70,004	9,384	-	-	79,388
Total adjustments	\$ 721,669	\$ 1,076,302	\$ 736,232	\$ 317,686	\$ 2,851,889
Net cash provided by (used for) operating activities	\$ 1,287,775	\$ 2,476,935	\$ 821,417	\$ 496,162	\$ 5,082,289

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

Statement of Fiduciary Net Position  
 Fiduciary Funds  
 At June 30, 2023

	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,519,940
Due from other governments	<u>313</u>
Total assets	<u>\$ 1,520,253</u>
<b>LIABILITIES</b>	
Accounts payable	\$ <u>233,379</u>
Total liabilities	<u>\$ 233,379</u>
<b>NET POSITION</b>	
Restricted for:	
Employee benefits	\$ 584,042
Inmates	19,284
Piedmont Regional Criminal Justice Training Academy	384,563
Southern Virginia Recreation Facility Authority	23,556
Blue Ridge Regional Library	238,590
Dan River ASAP	<u>36,839</u>
Total net position	<u>\$ 1,286,874</u>
Total liabilities and net position	<u>\$ 1,520,253</u>

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

Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 For the Year Ended June 30, 2023

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	<b>Custodial Funds</b>
	<u>                    </u>
<b>ADDITIONS</b>	
Employee deferrals	\$ 5,236,791
Interest income	7,049
Collections for inmates	225,017
Collections for Piedmont Regional Criminal Justice Training Academy	702,345
Collections for Southern Virginia Recreation Facility Authority	492,459
Collections for Blue Ridge Regional Library	1,930,796
Collections for Dan River ASAP	182,871
Total additions	<u>\$ 8,777,328</u>
<b>DEDUCTIONS</b>	
Retirement benefits	\$ 5,198,046
Disbursements for inmates	225,460
Disbursements for Piedmont Regional Criminal Justice Training Academy	743,156
Disbursements for Southern Virginia Recreation Facility Authority	576,958
Disbursements for Blue Ridge Regional Library	1,943,211
Disbursements for Dan River ASAP	220,143
Total deductions	<u>\$ 8,906,974</u>
Net increase (decrease) in fiduciary net position	<u>\$ (129,646)</u>
Net position, beginning of year	<u>\$ 1,416,520</u>
Net position, end of year	<u><u>\$ 1,286,874</u></u>

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

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023

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

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

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

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

### Government-wide and Fund Financial Statements

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

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

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

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, 2023 (Continued)

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

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

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the government's original budget, final budget and actual results.

### **A. Financial Reporting Entity**

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

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

*Blended Component Unit.* The City has no blended component units at June 30, 2023.

*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, 2023.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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#### 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, 2023 (Continued)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

#### 1. Governmental Funds

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

The General Fund is the primary operating fund of the City. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board.

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

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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

##### 1. Governmental Funds: (Continued)

The City reports the following nonmajor governmental funds:

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

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

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

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

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

Fiduciary Funds – Custodial Funds – account for assets held by the City unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Custodial Funds. Custodial funds utilize the accrual basis of accounting to recognize receivables and payables. Fiduciary funds are not included in the government-wide financial statements. Custodial funds include the Insurance Trust Fund, Inmate Trust Fund, Police Academy Fund, Southern Virginia Recreation Facility Authority Fund, Blue Ridge Regional Library Fund, and Dan River ASAP Fund.

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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**E. Cash and Cash Equivalents**

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

**F. Investments**

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

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

**G. Receivables and Payables**

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

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$686,908 at June 30, 2023, and is composed of the following:

<u>General Fund</u>	
Allowance for uncollectible property taxes	\$ <u>293,343</u>
<u>Enterprise Funds</u>	
Allowance for uncollectible accounts:	
Electric Fund	\$ 267,386
Water Fund	49,925
Sewer Fund	47,349
Refuse Collection/Landfill Fund	<u>28,905</u>
Total allowance for uncollectible accounts – Enterprise funds	\$ <u>393,565</u>
Total allowance for uncollectible accounts	\$ <u><u>686,908</u></u>

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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### G. Receivables and Payables: (Continued)

#### Real and Personal Property Tax Data:

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

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

The City bills and collects its own property taxes.

### H. Inventory

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

### I. Prepaid Items

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

### J. Capital Assets

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

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

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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### J. Capital Assets: (Continued)

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

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

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

### L. Pensions

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

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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### M. Other Postemployment Benefits (OPEB)

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

### N. Compensated Absences

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

### O. Unbilled Revenue

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

### P. Use of Estimates

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

### Q. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." City's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

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

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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#### Q. Fund Balance: (Continued)

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

#### R. Net Position

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

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

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

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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#### S. Leases

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

##### *Lessee*

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

##### *Lessor*

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

##### *Key Estimates and Judgments*

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

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

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

#### T. Long-term Obligations

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

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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#### T. Long-term Obligations: (Continued)

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

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

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

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

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

#### V. Upcoming Pronouncements

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

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

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

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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

Implementation Guide No. 2021-1, Implementation Guidance Update—2021, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, Implementation Guidance Update—2023, effective for fiscal years beginning after June 15, 2023.

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

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

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

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

**Note 3—Deposits and Investments:**

Deposits:

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

Restricted cash and cash equivalents at June 30, 2023 consist of the following:

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Total</u>
Proprietary Funds:			
Utility customer deposits	\$ 343,461	\$ 46,039	\$ 389,500
Total	<u>\$ 343,461</u>	<u>\$ 46,039</u>	<u>\$ 389,500</u>

The component unit school board is part of the City’s pooled cash and has a net balance in the amount of \$975,758 at June 30, 2023.

**Note 4—Due from Other Governments:**

At June 30, 2023, the City has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
Local sales tax	\$ 197,098	\$ -
State sales tax	-	231,955
Constitutional officer reimbursements	289,794	-
Victim witness grants	5,194	-
Children's services	341,079	-
Communication taxes	50,452	-
Auto rental tax	11,439	-
Miscellaneous	-	169,906
Federal Government:		
Victim witness grants	12,117	-
School fund grants	-	2,280,569
Total due from other governments	<u>\$ 907,173</u>	<u>\$ 2,682,430</u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

**Note 5—Inventory:**

At June 30, 2023, the City has inventory recorded in the various funds as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Expendable supplies	\$ 1,309,691	\$ 1,511,184
Land and building inventory held for resale:		
77 Commercial & residential lots held for resale	1,388,890	-
6 Commercial & residential buildings held for resale	221,586	-
Totals	<u>\$ 2,920,167</u>	<u>\$ 1,511,184</u>

**Note 6—Capital Assets:**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2023:

**Primary Government:**

**Governmental Activities:**

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Capital assets, not being depreciated:				
Land	\$ 4,379,094	\$ -	\$ -	\$ 4,379,094
Construction in progress	-	1,546,343	-	1,546,343
Total capital assets not being depreciated	<u>\$ 4,379,094</u>	<u>\$ 1,546,343</u>	<u>\$ -</u>	<u>\$ 5,925,437</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 7,931,855	\$ -	\$ -	\$ 7,931,855
Equipment	12,458,033	703,936	236,348	12,925,621
Infrastructure	34,775,970	-	-	34,775,970
Jointly owned assets	6,723,111	-	777,465	5,945,646
Total capital assets being depreciated	<u>\$ 61,888,969</u>	<u>\$ 703,936</u>	<u>\$ 1,013,813</u>	<u>\$ 61,579,092</u>
Accumulated depreciation:				
Buildings and improvements	\$ 5,189,761	\$ 198,111	\$ -	\$ 5,387,872
Equipment	9,105,081	626,829	236,348	9,495,562
Infrastructure	30,688,572	177,799	-	30,866,371
Jointly owned assets	4,121,085	148,641	-	4,269,726
Total accumulated depreciation	<u>\$ 49,104,499</u>	<u>\$ 1,151,380</u>	<u>\$ 236,348</u>	<u>\$ 50,019,531</u>
Total capital assets being depreciated, net	<u>\$ 12,784,470</u>	<u>\$ (447,444)</u>	<u>\$ 777,465</u>	<u>\$ 11,559,561</u>
Governmental activities capital assets, net	<u>\$ 17,163,564</u>	<u>\$ 1,098,899</u>	<u>\$ 777,465</u>	<u>\$ 17,484,998</u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

**Primary Government: (Continued)**

**Business-type Activities:**

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Electric Fund:</b>				
Capital assets being depreciated:				
Buildings and improvements	\$ 586,744	\$ -	\$ -	\$ 586,744
Equipment	3,424,155	596,380	-	4,020,535
Infrastructure	<u>40,360,226</u>	<u>750,078</u>	<u>-</u>	<u>41,110,304</u>
 Total capital assets being depreciated	 <u>\$ 44,371,125</u>	 <u>\$ 1,346,458</u>	 <u>\$ -</u>	 <u>\$ 45,717,583</u>
Accumulated depreciation:				
Buildings and improvements	\$ 586,744	\$ -	\$ -	\$ 586,744
Equipment	2,631,094	169,469	-	2,800,563
Infrastructure	<u>23,269,099</u>	<u>518,041</u>	<u>-</u>	<u>23,787,140</u>
 Total accumulated depreciation	 <u>\$ 26,486,937</u>	 <u>\$ 687,510</u>	 <u>\$ -</u>	 <u>\$ 27,174,447</u>
 Total capital assets being depreciated, net	 <u>\$ 17,884,188</u>	 <u>\$ 658,948</u>	 <u>\$ -</u>	 <u>\$ 18,543,136</u>
 Electric fund capital assets, net	 <u><u>\$ 17,884,188</u></u>	 <u><u>\$ 658,948</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 18,543,136</u></u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

**Primary Government: (Continued)**

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

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Water Fund:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 658,224	\$ -	\$ -	\$ 658,224
Construction in progress	<u>-</u>	<u>1,060,892</u>	<u>-</u>	<u>1,060,892</u>
 Total capital assets not being depreciated	 \$ <u>658,224</u>	 \$ <u>1,060,892</u>	 \$ <u>-</u>	 \$ <u>1,719,116</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,993,728	\$ -	\$ -	\$ 1,993,728
Equipment	1,798,032	156,000	-	1,954,032
Infrastructure	<u>18,729,337</u>	<u>196,056</u>	<u>-</u>	<u>18,925,393</u>
 Total capital assets being depreciated	 \$ <u>22,521,097</u>	 \$ <u>352,056</u>	 \$ <u>-</u>	 \$ <u>22,873,153</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,475,471	\$ 37,917	\$ -	\$ 1,513,388
Equipment	1,424,357	39,218	-	1,463,575
Infrastructure	<u>10,545,002</u>	<u>280,665</u>	<u>-</u>	<u>10,825,667</u>
 Total accumulated depreciation	 \$ <u>13,444,830</u>	 \$ <u>357,800</u>	 \$ <u>-</u>	 \$ <u>13,802,630</u>
 Total capital assets being depreciated, net	 \$ <u>9,076,267</u>	 \$ <u>(5,744)</u>	 \$ <u>-</u>	 \$ <u>9,070,523</u>
 Water fund capital assets, net	 \$ <u><u>9,734,491</u></u>	 \$ <u><u>1,055,148</u></u>	 \$ <u><u>-</u></u>	 \$ <u><u>10,789,639</u></u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

**Primary Government: (Continued)**

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

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Sewer Fund:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 25,400	\$ -	\$ -	\$ 25,400
Construction in progress	<u>221,070</u>	<u>160,731</u>	<u>-</u>	<u>381,801</u>
 Total capital assets not being depreciated	 \$ <u>246,470</u>	 \$ <u>160,731</u>	 \$ <u>-</u>	 \$ <u>407,201</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,230,905	\$ -	\$ -	\$ 1,230,905
Equipment	2,616,498	178,301	-	2,794,799
Infrastructure	<u>35,624,887</u>	<u>25,342</u>	<u>-</u>	<u>35,650,229</u>
 Total capital assets being depreciated	 \$ <u>39,472,290</u>	 \$ <u>203,643</u>	 \$ <u>-</u>	 \$ <u>39,675,933</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,006,551	\$ 17,826	\$ -	\$ 1,024,377
Equipment	1,625,330	120,870	-	1,746,200
Infrastructure	<u>16,565,759</u>	<u>752,748</u>	<u>-</u>	<u>17,318,507</u>
 Total accumulated depreciation	 \$ <u>19,197,640</u>	 \$ <u>891,444</u>	 \$ <u>-</u>	 \$ <u>20,089,084</u>
 Total capital assets being depreciated, net	 \$ <u>20,274,650</u>	 \$ <u>(687,801)</u>	 \$ <u>-</u>	 \$ <u>19,586,849</u>
 Sewer fund capital asset, net	 \$ <u><u>20,521,120</u></u>	 \$ <u><u>(527,070)</u></u>	 \$ <u><u>-</u></u>	 \$ <u><u>19,994,050</u></u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

**Primary Government: (Continued)**

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

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Refuse Collection/Landfill Fund:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 25,000	\$ -	\$ 25,000
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,967,861	\$ -	\$ -	\$ 2,967,861
Equipment	2,488,099	-	-	2,488,099
Total capital assets being depreciated	\$ 5,455,960	\$ -	\$ -	\$ 5,455,960
Accumulated depreciation:				
Buildings and improvements	\$ 1,614,183	\$ 136,913	\$ -	\$ 1,751,096
Equipment	1,832,603	82,212	-	1,914,815
Total accumulated depreciation	\$ 3,446,786	\$ 219,125	\$ -	\$ 3,665,911
Total capital assets being depreciated, net	\$ 2,009,174	\$ (219,125)	\$ -	\$ 1,790,049
Refuse collection/landfill fund capital assets, net	\$ 2,009,174	\$ (194,125)	\$ -	\$ 1,815,049

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

**Primary Government: (Continued)**

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

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Total Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 683,624	\$ -	\$ -	\$ 683,624
Construction in progress	<u>221,070</u>	<u>1,246,623</u>	<u>-</u>	<u>1,467,693</u>
Total capital assets not being depreciated	<u>\$ 904,694</u>	<u>\$ 1,246,623</u>	<u>\$ -</u>	<u>\$ 2,151,317</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,779,238	\$ -	\$ -	\$ 6,779,238
Equipment	10,326,784	930,681	-	11,257,465
Infrastructure	<u>94,714,450</u>	<u>971,476</u>	<u>-</u>	<u>95,685,926</u>
Total capital assets being depreciated	<u>\$ 111,820,472</u>	<u>\$ 1,902,157</u>	<u>\$ -</u>	<u>\$ 113,722,629</u>
Accumulated depreciation:				
Buildings and improvements	\$ 4,682,949	\$ 192,656	\$ -	\$ 4,875,605
Equipment	7,513,384	411,769	-	7,925,153
Infrastructure	<u>50,379,860</u>	<u>1,551,454</u>	<u>-</u>	<u>51,931,314</u>
Total accumulated depreciation	<u>\$ 62,576,193</u>	<u>\$ 2,155,879</u>	<u>\$ -</u>	<u>\$ 64,732,072</u>
Total capital assets being depreciated, net	<u>\$ 49,244,279</u>	<u>\$ (253,722)</u>	<u>\$ -</u>	<u>\$ 48,990,557</u>
Total Business-type capital assets, net	<u>\$ 50,148,973</u>	<u>\$ 992,901</u>	<u>\$ -</u>	<u>\$ 51,141,874</u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Discretely Presented Component Unit-School Board:</b>				
Capital assets, not being depreciated:				
Land	\$ 47,172	\$ -	\$ -	\$ 47,172
Construction in Progress	-	600,905	-	600,905
Total capital assets being depreciated	<u>\$ 47,172</u>	<u>\$ 600,905</u>	<u>\$ -</u>	<u>\$ 648,077</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 8,096,308	\$ 101,141	\$ -	\$ 8,197,449
Equipment	3,703,207	66,850	-	3,770,057
Jointly owned assets	17,013,647	777,465	-	17,791,112
Total capital assets being depreciated	<u>\$ 28,813,162</u>	<u>\$ 945,456</u>	<u>\$ -</u>	<u>\$ 29,758,618</u>
Accumulated depreciation:				
Buildings and improvements	\$ 6,578,021	\$ 111,820	\$ -	\$ 6,689,841
Equipment	2,978,709	146,796	-	3,125,505
Jointly owned assets	6,131,471	444,778	-	6,576,249
Total accumulated depreciation	<u>\$ 15,688,201</u>	<u>\$ 703,394</u>	<u>\$ -</u>	<u>\$ 16,391,595</u>
Total capital assets being depreciated, net	<u>\$ 13,124,961</u>	<u>\$ 242,062</u>	<u>\$ -</u>	<u>\$ 13,367,023</u>
School Board capital assets, net	<u><u>\$ 13,172,133</u></u>	<u><u>\$ 842,967</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,015,100</u></u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

The following is a summary of depreciation expense for the year ended June 30, 2023:

Governmental activities:

General government administration	\$	104,413
Judicial administration		1,159
Public safety		448,950
Public works		342,490
Health and welfare		9,596
Education		148,641
Parks, recreation and cultural		41,794
Community development		<u>54,337</u>
Total Governmental activities	\$	<u><u>1,151,380</u></u>

Business-type activities:

Electric	\$	687,510
Water		357,800
Sewer		891,444
Refuse collection / landfill		<u>219,125</u>
Total Business-type activities	\$	<u><u>2,155,879</u></u>

Component Unit School Board	\$	<u><u>258,616</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 \$444,778 for the year ending June 30, 2023 when added to depreciation expense above totals \$703,394 total depreciation per the previous page.

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

Interfund transfers for the year ended June 30, 2023, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Activities:		
Meals tax	\$ -	\$ 1,450,799
Nonmajor governmental funds:		
Capital reserve	<u>1,450,799</u>	<u>-</u>
Total	\$ <u><u>1,450,799</u></u>	\$ <u><u>1,450,799</u></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, 2023 (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, 2023:

	<u>Balance July 1, 2022</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Deletions</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Governmental Activities Obligations:					
Incurred by City:					
Direct borrowings and placements:					
General obligation bonds	\$ 474,500	\$ -	\$ 89,800	\$ 384,700	\$ 92,300
Capital financing activity	747,521	-	243,938	503,583	249,137
Compensated absences	653,238	130,648	90,399	693,487	69,349
Net pension liability	13,635,338	7,383,941	4,194,946	16,824,333	-
Net OPEB liability - group life insurance	634,054	349,935	331,431	652,558	-
Total OPEB liability - Pay-as-you-Go	<u>2,901,660</u>	<u>426,421</u>	<u>655,256</u>	<u>2,672,825</u>	<u>-</u>
Total incurred by City	<u>\$ 19,046,311</u>	<u>\$ 8,290,945</u>	<u>\$ 5,605,770</u>	<u>\$ 21,731,486</u>	<u>\$ 410,786</u>
Incurred by School Board:					
Direct borrowings and placements:					
VPA subsidy bonds	\$ 6,723,111	\$ -	\$ 777,465	\$ 5,945,646	\$ 780,079
Total incurred by School Board	<u>\$ 6,723,111</u>	<u>\$ -</u>	<u>\$ 777,465</u>	<u>\$ 5,945,646</u>	<u>\$ 780,079</u>
Total Governmental Activities Obligations	<u>\$ 25,769,422</u>	<u>\$ 8,290,945</u>	<u>\$ 6,383,235</u>	<u>\$ 27,677,132</u>	<u>\$ 1,190,865</u>
Business-type Activities Obligations:					
Direct borrowings and placements:					
General obligation bonds	\$ 377,000	\$ -	\$ 43,000	\$ 334,000	\$ 44,000
Revenue bonds	17,658,175	-	730,742	16,927,433	731,225
Capital financing activity	5,271,000	-	515,000	4,756,000	522,000
Compensated absences	279,621	26,606	55,924	250,303	25,030
Net pension liability	2,993,419	1,578,182	1,032,450	3,539,151	-
Net OPEB liability - group life insurance	130,716	84,390	72,065	143,041	-
Total OPEB liability - Pay-as-you-Go	606,340	82,921	132,086	557,175	-
Landfill closure and post-closure costs	<u>2,345,542</u>	<u>166,534</u>	<u>-</u>	<u>2,512,076</u>	<u>-</u>
Total Business-type Activities Obligations	<u>\$ 29,661,813</u>	<u>\$ 1,938,633</u>	<u>\$ 2,581,267</u>	<u>\$ 29,019,179</u>	<u>\$ 1,322,255</u>
Total Primary Government	<u>\$ 55,431,235</u>	<u>\$ 10,229,578</u>	<u>\$ 8,964,502</u>	<u>\$ 56,696,311</u>	<u>\$ 2,513,120</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, 2023 (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		Capital		Direct Borrowings and Direct Placements						
	General		Financing Activity		General		Revenue Bonds		Capital		
	Obligation Bonds		Principal	Interest	Obligation Bonds	Interest	Principal	Interest	Principal	Interest	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
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	\$ 384,700	\$ 26,807	\$ 503,583	\$ 13,416	\$ 334,000	\$ 33,166	\$ 16,927,433	\$ 140,980	\$ 4,756,000	\$ 568,893	

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

**Primary Government: (Continued)**

		<b>Governmental Activities Obligations</b>	
		<b>Direct Borrowings and Direct Placements</b>	
		<b>School Board Obligations</b>	
		<b>General</b>	
<b>Year</b>		<b>Obligation Bonds</b>	
<b>Ending</b>			
<b>June 30,</b>		<b>Principal</b>	<b>Interest</b>
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
<b>Total</b>	<b>\$</b>	<b>5,945,646</b>	<b>\$ 3,040,130</b>

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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### Primary Government: (Continued)

#### Incurred by City:

##### Direct Borrowings and Placements:

###### General Obligation Bonds:

\$1,250,000 general obligation bond, Series 2012 issued (for Municipal building renovations) January 26, 2012, maturing in various annual installments of \$76,300 to \$100,100 through February 1, 2027, interest payable semi-annually at 2.75% \$ 384,700

Total general obligations bonds \$ 384,700

###### Capital Financing Activity:

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

\$1,214,500 obligation for the purchase of major equipment, payable in semi-annual installments of \$129,250 beginning July 15, 2020 through January 15, 2025, interest at 2.120% \$ 503,583

Total capital financing activity obligations \$ 503,583

Compensated absences \$ 693,487

Net pension liability \$ 16,824,333

Net OPEB liability - group life insurance \$ 652,558

Total Pay-as-you-Go OPEB liability \$ 2,672,825

Total Incurred by City \$ 21,731,486

#### 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% \$ 580,494

\$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 5,365,152

Total general obligation bonds \$ 5,945,646

Total Incurred by the School Board \$ 5,945,646

Total Governmental Activities Obligations \$ 27,677,132

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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### Primary Government: (Continued)

#### Business-type Activities Obligations:

##### Direct Borrowings and Placements:

###### Revenue Bonds:

\$10,000,000 water and sewer revenue bonds series 2016 bonds maturing in various semi-annual installments of \$178,571 beginning May 1, 2018 through November 1, 2045, interest payable at 0.00%. \$ 8,035,714

\$7,900,000 water and sewer revenue bonds series 2017 bonds maturing in various semi-annual installments of \$138,596 beginning April 1, 2019 through April 1, 2047, interest payable at 0.00%. 6,536,149

\$2,500,000 water and sewer revenue bonds series 2020 bonds maturing in various semi-annual installments of \$54,273 beginning March 1, 2022 through March 1, 2046, cost of funds payable at 0.50% per annum. At June 30, 2021 only \$1,526,336 of this bond had been drawn. 2,355,570

Total revenue bonds \$ 16,927,433

###### 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% \$ 334,000

Total general obligation bonds \$ 334,000

###### Capital Financing Activity:

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

\$7,425,000 obligation for the purchase of a utility meters for electric and water, payable in various annual installments of \$348,000 to \$638,000 beginning February 1, 2018 through February 1, 2032, interest at 2.46% \$ 4,756,000

Total capital financing activity obligations \$ 4,756,000

Compensated absences \$ 250,303

Net pension liability \$ 3,539,151

Net OPEB liability - group life insurance \$ 143,041

Total Pay-as-you-Go OPEB liability \$ 557,175

Landfill closure and postclosure costs \$ 2,512,076

Total Business-type Activities Obligations \$ 29,019,179

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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#### Primary Government: (Continued)

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

Revenue bonds totaling \$16,927,433 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, 2023:

	<u>Beginning Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2023</u>	<u>Amounts Due Within One Year</u>
Net pension liability - nonprofessional	\$ 1,383,557	\$ 456,588	\$ 155,282	\$ 1,684,863	-
Net pension liability - professional	10,269,025	9,749,896	7,782,096	12,236,825	-
Net OPEB liability - group life insurance	679,818	416,779	408,215	688,382	-
Net OPEB liability - health insurance credit	1,775,373	376,709	448,764	1,703,318	-
Total Pay-as-you-Go OPEB liability	<u>507,000</u>	<u>28,000</u>	<u>261,000</u>	<u>274,000</u>	-
Total	<u>\$ 14,614,773</u>	<u>\$ 11,027,972</u>	<u>\$ 9,055,357</u>	<u>\$ 16,587,388</u>	<u>\$ -</u>

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

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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 \$2,512,076 reported as landfill closure and postclosure care liability at June 30, 2023 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 2023. 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, 2023 (Continued)

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

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The following is a summary of unearned revenue for the year ended June 30, 2023:

	<b>Government- wide Statements</b>	<b>Balance Sheet</b>
	<b>Governmental Activities</b>	<b>Governmental Funds</b>
Deferred/Unavailable revenue:		
Unearned revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures	\$ -	\$ 1,727,415
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	76,394	76,394
Opioid settlement	-	466,366
Total deferred/unavailable revenue	<u>\$ 76,394</u>	<u>\$ 2,270,175</u>

### Note 11—Contingent Liabilities:

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

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

### Note 12—Litigation:

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At June 30, 2023, there were no matters of litigation involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to such entities.

### Note 13—Risk Management:

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

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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

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

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

### **Note 14—Pension Plan:**

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

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

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

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

- a. Employees 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, 2023 (Continued)

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### Note 14—Pension Plan: (Continued)

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#### ***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, 2023 (Continued)

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### Note 14—Pension Plan: (Continued)

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#### **Contributions**

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

The City's contractually required employer contribution rate for the year ended June 30, 2023 was 19.70% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$2,972,810 and \$2,588,254 for the years ended June 30, 2023 and June 30, 2022, respectively.

#### **Net Pension Liability**

At June 30, 2023, the City reported a liability of \$20,363,484 for its proportionate share of the net pension liability. The City's net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 and 2021 was used as a basis for allocation to determine the City's proportionate share of the net pension liability. At June 30, 2022 and 2021, the City's proportion was 93.15% and 93.33%, 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, 2021, 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, 2022.

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

Mortality rates:

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

Pre-Retirement:

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

**Note 14—Pension Plan: (Continued)**

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City of Martinsville, Virginia’s Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

**Note 14—Pension Plan: (Continued)**

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

**Note 14—Pension Plan: (Continued)**

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

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
<b>Total</b>	<b>100.00%</b>		<b>5.33%</b>
		Inflation	2.50%
		*Expected arithmetic nominal return	<b>7.83%</b>

\* The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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### Note 14—Pension Plan: (Continued)

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#### **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, 2023, 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, 2021 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2022, 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, 2022 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:

	<b>Rate</b>		
	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>(5.75%)</b>	<b>(6.75%)</b>	<b>(7.75%)</b>
City's proportionate share of the Net Pension Liability (Asset)	\$ 33,090,536	\$ 20,363,484	\$ 9,831,367

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

For the year ended June 30, 2023, the City recognized pension expense of \$1,661,356. 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, 2023 (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, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,531,198
Change in assumptions	1,111,027	-
Net difference between projected and actual earnings on pension plan investments	-	2,713,019
Changes in proportion	88,598	112,504
Employer contributions subsequent to the measurement date	<u>2,972,810</u>	<u>-</u>
Total	<u>\$ 4,172,435</u>	<u>\$ 4,356,721</u>

\$2,972,810 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, 2024. 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>Primary Government</u>
2024	\$ (946,356)
2025	(1,611,771)
2026	(1,809,476)
2027	1,210,507
2028	-
Thereafter	-

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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, 2023 (Continued)

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**Note 14—Pension Plan: (Continued)**

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**Component Unit School Board (nonprofessional)**

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

***Employees Covered by Benefit Terms***

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Component Unit School Board Nonprofessional</b>
Inactive members or their beneficiaries currently receiving benefits	69
Inactive members:	
Vested inactive members	3
Non-vested inactive members	8
Inactive members active elsewhere in VRS	<u>16</u>
Total inactive members	27
Active members	<u>15</u>
Total covered employees	<u><u>111</u></u>

***Contributions***

The Component Unit School Board’s contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2023 was 36.86% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$193,594 and \$132,602 for the years ended June 30, 2023 and June 30, 2022, respectively.

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

***Changes in Net Pension Liability***

	<b>Component School Board (nonprofessional)</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2021	\$ 4,117,546	\$ 2,733,989	\$ 1,383,557
Changes for the year:			
Service cost	\$ 35,466	\$ -	\$ 35,466
Interest	268,409	-	268,409
Differences between expected and actual experience	150,953	-	150,953
Contributions - employer	-	132,602	(132,602)
Contributions - employee	-	21,844	(21,844)
Net investment income	-	776	(776)
Benefit payments, including refunds	(353,156)	(353,156)	-
Administrative expenses	-	(1,760)	1,760
Other changes	-	60	(60)
Net changes	<u>\$ 101,672</u>	<u>\$ (199,634)</u>	<u>\$ 301,306</u>
Balances at June 30, 2022	<u>\$ 4,219,218</u>	<u>\$ 2,534,355</u>	<u>\$ 1,684,863</u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

**Note 14—Pension Plan: (Continued)**

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

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

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

	<b>Rate</b>		
	<b><u>1% Decrease</u></b> <b><u>(5.75%)</u></b>	<b><u>Current Discount</u></b> <b><u>(6.75%)</u></b>	<b><u>1% Increase</u></b> <b><u>(7.75%)</u></b>
Component Unit School Board (nonprofessional) Net Pension Liability	2,090,401	1,684,863	1,342,781

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

For the year ended June 30, 2023, the Component Unit School Board (nonprofessional) recognized pension expense of \$221,548. At June 30, 2023, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Component Unit School Board (nonprofessional)</b>	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	92,043
Employer contributions subsequent to the measurement date	<u>193,594</u>	<u>-</u>
Total	<u>\$ 193,594</u>	<u>\$ 92,043</u>

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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### Note 14—Pension Plan: (Continued)

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

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

\$193,594 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, 2024. 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>
2024	\$ (32,990)
2025	(35,110)
2026	(59,343)
2027	35,400
2028	-
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, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$1,995,492 and \$1,909,414 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (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, 2023, the school division reported a liability of \$12,236,825 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division’s proportion was .12853% as compared to .13230% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized pension expense of \$98,151. 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. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2023, 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	\$ -	\$ 843,777
Change in assumptions	1,153,686	-
Net difference between projected and actual earnings on pension plan investments	-	1,595,426
Changes in proportion and differences between employer contributions and proportionate share of contributions	279	1,065,792
Employer contributions subsequent to the measurement date	<u>1,995,492</u>	<u>-</u>
Total	<u>\$ 3,149,457</u>	<u>\$ 3,504,995</u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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**Note 14—Pension Plan: (Continued)**

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

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

\$1,995,492 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, 2024. 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>	
2024	\$ (835,189)
2025	(930,911)
2026	(1,224,483)
2027	639,553
2028	-

***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

**Mortality rates:**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

**Mortality Improvement:**

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

**Note 14—Pension Plan: (Continued)**

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

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

***Net Pension Liability***

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<b><u>Teacher Employee Retirement Plan</u></b>
Total Pension Liability	\$	54,732,329
Plan Fiduciary Net Position		<u>45,211,731</u>
Employers' Net Pension Liability (Asset)	\$	<u><u>9,520,598</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		 82.61%

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

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

**Note 14—Pension Plan: (Continued)**

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

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

	<b>Rate</b>		
	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>(5.75%)</b>	<b>(6.75%)</b>	<b>(7.75%)</b>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	21,855,907	12,236,825	4,404,778

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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***

	<b>Primary Government</b>			
	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Net Pension Liability (Asset)</b>	<b>Pension Expense</b>
VRS Pension Plan: Primary Government	\$ <u>4,172,435</u>	\$ <u>4,356,721</u>	\$ <u>20,363,484</u>	\$ <u>1,661,356</u>
	<b>Component Unit School Board</b>			
	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Net Pension Liability (Asset)</b>	<b>Pension Expense</b>
VRS Pension Plans: School Board Nonprofessional	\$ 193,594	\$ 92,043	\$ 1,684,863	\$ 221,548
School Board Professional	<u>3,149,457</u>	<u>3,504,995</u>	<u>12,236,825</u>	<u>98,151</u>
Totals	<u>\$ 3,343,051</u>	<u>\$ 3,597,038</u>	<u>\$ 13,921,688</u>	<u>\$ 319,699</u>

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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

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

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

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

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

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

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

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

#### ***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, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

**Contributions: (Continued)**

determined rate from an actuarial valuation as of June 30, 2021. 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 \$84,024 and \$77,616 for the years ended June 30, 2023 and June 30, 2022, respectively, for the City; \$2,890 and \$2,592 for the years ended June 30, 2023 and June 30, 2022, respectively, for the component unit school board (nonprofessional); and \$67,805 and \$64,561 for the years ended June 30, 2023 and June 30, 2022, respectively, for the component unit school board (professional).

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

**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, 2023, liabilities of \$795,599, \$26,611, and \$661,771 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, 2022 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employers’ proportions were 0.06608%, 0.00220%, and 0.05500% as compared to 0.06564%, 0.00190%, and 0.05650% at June 30, 2021, for the City, component unit school board (nonprofessional), and component unit school board (professional), respectively.

For the year ended June 30, 2023, the participating employers recognized GLI OPEB expense of \$16,292, \$(20), and \$(2,710), 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, 2023, 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	\$ 63,002	\$ 31,918	\$ 2,107	\$ 1,068	\$ 52,404	\$ 26,549
Net difference between projected and actual earnings on GLI OPEB program investments	-	49,713	-	1,663	-	41,351
Change in assumptions	29,674	77,494	993	2,592	24,683	64,459
Changes in proportion	2,637	11,156	4,237	5,792	-	65,172
Employer contributions subsequent to the measurement date	84,024	-	2,890	-	67,805	-
Total	\$ 179,337	\$ 170,281	\$ 10,227	\$ 11,115	\$ 144,892	\$ 197,531

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (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)***

\$84,024, \$2,890, \$67,805, 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>	<u>Component Unit School Board (professional)</u>
2024	\$ (20,293)	\$ (1,336)	\$ (33,094)
2025	(15,066)	(1,323)	(28,092)
2026	(40,299)	(2,131)	(48,813)
2027	6,114	382	(1,841)
2028	(5,424)	630	(8,604)
Thereafter	-	-	-

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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**Actuarial Assumptions: (Continued)**

**Mortality Rates – Teachers**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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**Actuarial Assumptions: (Continued)**

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

**Actuarial Assumptions: (Continued)**

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

**Net GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		2,467,989
GLI Net OPEB Liability (Asset)	\$	<u>1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

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

**Long-Term Expected Rate of Return**

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

\*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

**Long-Term Expected Rate of Return: (Continued)**

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

**Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, 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, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
City's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 1,157,688	\$ 795,599	\$ 502,979
Component Unit School Board (nonprofessional) proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 38,721	\$ 26,611	\$ 16,823
Component Unit School Board (professional) proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 962,955	\$ 661,771	\$ 418,374

**GLI Plan Fiduciary Net Position**

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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, 2023 (Continued)

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

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

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

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

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

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

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

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

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

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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***Employees Covered by Benefit Terms***

As of the June 30, 2021 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>22</u>
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>22</u>
Active members	15
Total covered employees	<u><u>37</u></u>

***Contributions***

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Component Unit School Board (nonprofessional)'s contractually required employer contribution rate for the year ended June 30, 2023 was 2.29% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$12,257 and \$7,727 for the years ended June 30, 2023 and June 30, 2022, respectively.

***Net HIC OPEB Liability***

The Component Unit School Board (nonprofessional)'s net HIC OPEB liability was measured as of June 30, 2022. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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***Actuarial Assumptions***

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

**Long-Term Expected Rate of Return**

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

<u>Asset Class (Strategy)</u>	<u>Long-term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

**Long-Term Expected Rate of Return: (Continued)**

\*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

**Discount Rate**

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2022 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, 2021	\$ 89,342	\$ 6,997	\$ 82,345
Changes for the year:			
Service cost	\$ 1,641	\$ -	\$ 1,641
Interest	6,031	-	6,031
Benefit changes	-	-	-
Differences between expected and actual experience	(1,686)	-	(1,686)
Assumption changes	22,188	-	22,188
Contributions - employer	-	7,728	(7,728)
Net investment income	-	(102)	102
Benefit payments	(3,272)	(3,272)	-
Administrative expenses	-	(22)	22
Other changes	-	-	-
Net changes	\$ 24,902	\$ 4,332	\$ 20,570
Balances at June 30, 2022	\$ 114,244	\$ 11,329	\$ 102,915

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Component Unit School Board (nonprofessional) Net HIC OPEB Liability	110,867	102,915	95,955

***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, 2023, the Component Unit School Board (nonprofessional) recognized HIC Plan OPEB expense of \$17,226. At June 30, 2023, 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	\$ -	\$ 920
Net difference between projected and actual earnings on HIC OPEB plan investments	167	-
Change in assumptions	12,524	-
Employer contributions subsequent to the measurement date	12,257	-
<b>Total</b>	<b>\$ 24,948</b>	<b>\$ 920</b>

\$12,257 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, 2024. 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, 2023 (Continued)

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

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#### ***HIC Plan Data***

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-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):**

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#### ***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.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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

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

#### ***Contributions***

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$151,876 and \$144,501 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher HIC Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

#### ***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, 2023, the school division reported a liability of \$1,600,403 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, 2022 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, 2021 and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion of the VRS Teacher Employee HIC Plan was 0.12813% as compared to 0.13190% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$85,559. 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 proportionate share and differences between actual and expected contributions.

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (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)***

At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 65,235
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,606
Change in assumptions	46,756	4,087
Change in proportion	-	162,763
Employer contributions subsequent to the measurement date	151,876	-
Total	<u>\$ 198,632</u>	<u>\$ 233,691</u>

\$151,876 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (47,226)
2025	(43,231)
2026	(35,575)
2027	(27,170)
2028	(19,952)
Thereafter	(13,781)

***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, 2021, 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, 2022.

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

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

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### Mortality Rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

***Net Teacher Employee HIC OPEB Liability***

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$	1,470,891
Plan Fiduciary Net Position		221,845
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,249,046</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		15.08%

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:

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return</b>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		**Expected arithmetic nominal return	<u>7.83%</u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

***Long-Term Expected Rate of Return: (Continued)***

\*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

***Discount Rate***

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, 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, 2022 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:

	<b>Rate</b>		
	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>(5.75%)</b>	<b>(6.75%)</b>	<b>(7.75%)</b>
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,803,673	\$ 1,600,403	\$ 1,428,097

***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 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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, 2023 (Continued)

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

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#### **Primary Government:**

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

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

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

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

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

At July 1, 2022 (measurement date), the following employees were covered by the benefit terms:

	<b><u>Primary Government</u></b>
Total active employees with coverage	67
Total retirees with coverage	40
Total	<u>107</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, 2023 the City held assets amounting to \$584,042 for OPEB purposes. The City Council establishes employer contribution rates for plan participants as part of the budgetary process each year. Council also determines how the plan will be funded each year whether it will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. For retirees hired prior to July 1, 2000 with 15 years of uninterrupted service, the City pays 100% of the designated contribution towards the monthly single only coverage premium and the retiree contributes the remaining balance. Retirees hired on or after July 1, 2000 but prior to July 1, 2005, with 14 or less years of continuous service are not eligible for the designated contribution. For retirees hired in this same time frame with 15 through 19 years of continuous service, the City contributes 50% of the designated contribution and the retiree contributes the remaining balance. For retirees hired in this time frame with 20 or more years of continuous service, the City contributes 75% of the designated contribution and the retiree contributes the remaining balance. Retirees hired on or after July 1, 2005 are not eligible for the designated contribution.

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

The City's total OPEB liability was measured as of July 1, 2022. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022.

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

**Primary Government: (Continued)**

***Actuarial Assumptions***

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.69%
Salary Scale	2.50%
Healthcare Cost Trend Rates:	6.25% for fiscal year end 2023, decreasing 0.25% per year to an ultimate rate of 5.00%.
Mortality	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021.
Actuarial Cost Method:	Entry Age Actuarial Cost Method.

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

***Discount Rate***

The final equivalent single discount rate used for this year’s valuation is 3.69% as of the end of the fiscal year with the expectation that the City will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

***Changes in Total OPEB Liability***

	<b><u>Primary Government Total OPEB Liability</u></b>
Balances at July 1, 2022	\$ 3,508,000
Changes for the year:	
Service cost	51,000
Interest	65,000
Difference between expected and actual experience	396,000
Changes in assumptions	(418,000)
Benefit payments	(372,000)
Net changes	<u>(278,000)</u>
Balances at June 30, 2023	<u>\$ 3,230,000</u>

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

The following amounts present the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69%) or one percentage point higher (4.69%) than the current discount rate:

	<b>Rate</b>		
	<b><u>1% Decrease (2.69%)</u></b>	<b><u>Current Discount Rate (3.69%)</u></b>	<b><u>1% Increase (4.69%)</u></b>
\$	3,417,000	\$ 3,230,000	\$ 3,055,000

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (Continued)

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

**Primary Government: (Continued)**

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

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current healthcare cost trend rates:

<b>Rates</b>		
<b>Healthcare Cost</b>		
<b>1% Decrease (5.25%)</b>	<b>Trend (6.25%)</b>	<b>1% Increase (7.25%)</b>
\$ 3,044,000	\$ 3,230,000	\$ 3,432,000

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

For the year ended June 30, 2023, the City recognized OPEB expense in the amount of \$214,000. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 185,000	\$ -
Changes in assumptions	12,000	190,000
Employer contributions subsequent to the measurement date	305,581	-
<b>Total</b>	<b>\$ 502,581</b>	<b>\$ 190,000</b>

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:

<b>Year Ended June 30</b>	<b>Primary Government</b>
2024	\$ 7,000
2025	-
2026	-
2027	-
2028	-
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, 2023 (Continued)

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

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**Component Unit School Board:**

***Plan Description***

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

***Benefits Provided***

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

***Plan Membership***

At July 1, 2022 (measurement date), the following employees were covered by the benefit terms:

	<b><u>Component Unit School Board</u></b>
Total active employees with coverage	38
Total retirees with coverage	<u>11</u>
Total	<u><u>49</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, 2023 (Continued)

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

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

***Total OPEB Liability***

The School Board's total OPEB liability was measured as of July 1, 2022. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022.

***Actuarial Assumptions***

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.69%
Salary Scale	2.50%
Healthcare Cost Trend Rates:	6.25% for fiscal year end 2023, decreasing 0.25% per year to an ultimate rate of 5.00%.
Mortality	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021.
Actuarial Cost Method:	Entry Age Actuarial Cost Method.

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

***Discount Rate***

The final equivalent single discount rate used for this year's valuation is 3.69% as of the end of the fiscal year with the expectation that the School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

***Changes in Total OPEB Liability***

	<b>Component Unit School Board Total OPEB Liability</b>
Balances at July 1, 2022	\$ 507,000
Changes for the year:	
Service cost	18,000
Interest	10,000
Difference between expected and actual experience	(198,000)
Changes in assumptions	(19,000)
Benefit payments	(44,000)
Net changes	<u>(233,000)</u>
Balances at June 30, 2023	<u>\$ 274,000</u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (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 (2.69%) or one percentage point higher (4.69%) than the current discount rate:

			<b>Rate</b>		
			<b>1% Decrease (2.69%)</b>	<b>Current Discount Rate (3.69%)</b>	<b>1% Increase (4.69%)</b>
\$	286,000	\$	274,000	\$	263,000

***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 5.25% or one percentage point higher 7.25% than the current healthcare cost trend rates:

			<b>Rates</b>		
			<b>1% Decrease (5.25%)</b>	<b>Healthcare Cost Trend (6.25%)</b>	<b>1% Increase (7.25%)</b>
\$	259,000	\$	274,000	\$	291,000

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

For the year ended June 30, 2023, the School Board recognized OPEB expense in the amount of \$(93,000). At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows.

	<b>Component Unit School Board</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,000	\$ 132,000
Changes in assumptions	10,000	11,000
Benefit payments subsequent to the measurement date	15,600	-
<b>Total</b>	<b>\$ 26,600</b>	<b>\$ 143,000</b>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (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>
2024	\$ (99,000)
2025	(33,000)
2026	-
2027	-
2028	-
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	\$ 179,337	\$ 170,281	\$ 795,599	\$ 16,292
City Stand-Alone Plan (Note 18)	502,581	190,000	3,230,000	214,000
Totals	<u>\$ 681,918</u>	<u>\$ 360,281</u>	<u>\$ 4,025,599</u>	<u>\$ 230,292</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	\$ 10,227	\$ 11,115	\$ 26,611	\$ (20)
School Board Professional	144,892	197,531	661,771	(2,710)
Nonprofessional Health Insurance Credit Plan (Note 16)	24,948	920	102,915	17,226
Teacher Health Insurance Credit Plan (Note 17)	198,632	233,691	1,600,403	85,559
School Stand-Alone Plan (Note 18)	26,600	143,000	274,000	(93,000)
Totals	<u>\$ 405,299</u>	<u>\$ 586,257</u>	<u>\$ 2,665,700</u>	<u>\$ 7,055</u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2023 (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	
Jean P. Nunn, Clerk of the Circuit Court	\$ 103,000
Cindy Dickerson, Treasurer and/or Mandy McGhee, 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 discretely presented component unit School Board restated beginning balances to correct an error in prior year the due from other governments balance as follows:

	<u>Component-Unit School Board School Grants Fund</u>
Fund Balance at June 30, 2022, as previously reported	\$ (151,903)
Correction of prior year due from other governments balance	<u>250,185</u>
Fund Balance at June 30, 2022, as restated	<u>\$ 98,282</u>
	<u>Component-Unit School Board</u>
Net Position at June 30, 2022, as previously reported	\$ (4,439,328)
Correction of prior year due from other governments balance	<u>250,185</u>
Net Position at June 30, 2022, as restated	<u>\$ (4,189,143)</u>

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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.

## General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual  
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
General property taxes	\$ 9,638,900	\$ 9,638,900	\$ 9,862,327	\$ 223,427
Other local taxes	5,821,750	5,821,750	6,423,984	602,234
Permits, privilege fees and regulatory licenses	75,950	75,950	65,904	(10,046)
Fines and forfeitures	109,000	109,000	92,088	(16,912)
Revenue from use of money and property	1,115,042	1,115,042	1,164,281	49,239
Charges for services	2,624,835	2,624,835	2,532,571	(92,264)
Miscellaneous	529,496	661,687	716,786	55,099
Recovered costs	2,035,983	2,035,983	2,365,961	329,978
Intergovernmental:				
Commonwealth	10,258,519	10,262,295	11,145,956	883,661
Federal	129,571	927,644	6,230,111	5,302,467
<b>Total revenues</b>	<b>\$ 32,339,046</b>	<b>\$ 33,273,086</b>	<b>\$ 40,599,969</b>	<b>\$ 7,326,883</b>
Expenditures:				
Current:				
General government administration	\$ 5,292,649	\$ 5,292,649	\$ 5,605,753	\$ (313,104)
Judicial administration	3,092,876	3,167,711	2,823,022	344,689
Public safety	13,542,788	14,998,265	13,416,450	1,581,815
Public works	5,446,038	5,767,501	5,620,115	147,386
Health and welfare	1,439,088	1,565,877	1,901,735	(335,858)
Education	5,840,226	5,840,226	4,256,525	1,583,701
Parks, recreation, and cultural	863,138	869,709	912,257	(42,548)
Community development	3,344,775	3,389,736	5,857,504	(2,467,768)
<b>Total expenditures</b>	<b>\$ 38,861,578</b>	<b>\$ 40,891,674</b>	<b>\$ 40,393,361</b>	<b>\$ 498,313</b>
Excess (deficiency) of revenues over (under) expenditures	\$ (6,522,532)	\$ (7,618,588)	\$ 206,608	\$ 7,825,196
Changes in fund balances	\$ (6,522,532)	\$ (7,618,588)	\$ 206,608	\$ 7,825,196
Fund balances at beginning of year	6,522,532	7,618,588	8,794,524	1,175,936
Fund balances at end of year	\$ -	\$ -	\$ 9,001,132	\$ 9,001,132

Schedule of Employer's Proportionate Share of the Net Pension Liability  
VRS Pension Plans  
For the Measurement Dates of June 30, 2014 through June 30, 2022

Date (1)	Employer's Proportion of the Net Pension Liability (NPL) (2)	Employer's Proportionate Share of the NPL (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability (6)
<b>Primary Government - City Retirement Plan</b>					
2022	93.15%	\$ 20,363,484	\$ 14,339,008	142.01%	81.08%
2021	93.33%	16,628,757	13,189,627	126.07%	84.51%
2020	92.86%	28,687,616	13,201,219	217.31%	72.02%
2019	93.00%	23,520,960	12,536,671	187.62%	76.36%
2018	92.39%	18,646,917	12,201,190	152.83%	79.88%
2017	91.95%	18,955,341	12,117,472	156.43%	79.02%
2016	93.61%	22,696,623	13,409,915	169.25%	74.76%
2015	93.37%	19,919,054	13,216,981	150.71%	77.41%
2014	93.42%	18,187,446	12,797,381	142.12%	78.66%
<b>Component Unit School Board (professional)</b>					
2022	0.1285%	\$ 12,236,825	\$ 11,942,248	102.47%	82.61%
2021	0.1323%	10,269,025	11,665,019	88.03%	85.46%
2020	0.1330%	19,357,903	11,629,331	166.46%	71.47%
2019	0.1436%	18,899,892	12,065,156	156.65%	73.51%
2018	0.1444%	16,979,000	11,697,771	145.15%	74.81%
2017	0.1473%	18,117,000	11,642,954	155.60%	72.92%
2016	0.1522%	21,328,000	11,653,559	183.02%	68.28%
2015	0.1667%	20,984,000	11,644,367	180.21%	70.68%
2014	0.1646%	19,896,000	12,040,187	165.25%	70.88%

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

**CITY OF MARTINSVILLE, VIRGINIA**

Schedule of Changes in Net Pension Liability and Related Ratios  
 Component Unit School Board (nonprofessional)  
 For the Measurement Dates of June 30, 2014 through June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Total pension liability</b>				
Service cost	\$ 35,466	\$ 34,400	\$ 40,331	\$ 47,066
Interest	268,409	266,430	271,048	275,813
Changes of assumptions	-	150,760	-	91,229
Differences between expected and actual experience	150,953	(49,151)	29,332	3,332
Benefit payments, including refunds of employee contributions	(353,156)	(464,015)	(354,242)	(329,941)
<b>Net change in total pension liability</b>	<u>\$ 101,672</u>	<u>\$ (61,576)</u>	<u>\$ (13,531)</u>	<u>\$ 87,499</u>
<b>Total pension liability - beginning</b>	4,117,546	4,179,122	4,192,653	4,105,154
<b>Total pension liability - ending (a)</b>	<u>\$ 4,219,218</u>	<u>\$ 4,117,546</u>	<u>\$ 4,179,122</u>	<u>\$ 4,192,653</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 132,602	\$ 105,041	\$ 94,136	\$ 111,669
Contributions - employee	21,844	17,563	18,988	22,489
Net investment income	776	627,500	49,077	169,498
Benefit payments, including refunds of employee contributions	(353,156)	(464,015)	(354,242)	(329,941)
Administrative expense	(1,760)	(1,855)	(1,856)	(1,856)
Other	60	56	(55)	(106)
<b>Net change in plan fiduciary net position</b>	<u>\$ (199,634)</u>	<u>\$ 284,290</u>	<u>\$ (193,952)</u>	<u>\$ (28,247)</u>
<b>Plan fiduciary net position - beginning</b>	2,733,989	2,449,699	2,643,651	2,671,898
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 2,534,355</u>	<u>\$ 2,733,989</u>	<u>\$ 2,449,699</u>	<u>\$ 2,643,651</u>
<b>School Division's net pension liability - ending (a) - (b)</b>	\$ 1,684,863	\$ 1,383,557	\$ 1,729,423	\$ 1,549,002
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	60.07%	66.40%	58.62%	63.05%
<b>Covered payroll</b>	\$ 479,965	\$ 380,908	\$ 413,317	\$ 488,976
<b>School Division's net pension liability as a percentage of covered payroll</b>	351.04%	363.23%	418.43%	316.78%

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

Exhibit 13

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

Schedule of Employer Contributions  
VRS Pension Plans  
For the Years Ended June 30, 2014 through June 30, 2023

<u>Date</u>	<u>Contractually Required Contribution (1)*</u>	<u>Contributions in Relation to Contractually Required Contribution (2)*</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Employee Payroll (5)</u>
<b>Primary Government</b>					
2023	\$ 2,972,810	\$ 2,972,810	\$ -	\$ 15,560,251	19.11%
2022	2,588,254	2,588,254	-	14,339,008	18.05%
2021	2,438,761	2,438,761	-	13,189,627	18.49%
2020	2,133,317	2,133,317	-	13,201,219	16.16%
2019	2,025,957	2,025,957	-	12,536,671	16.16%
2018	1,969,272	1,969,272	-	12,201,190	16.14%
2017	1,955,760	1,955,760	-	12,117,472	16.14%
2016	2,368,834	2,368,834	-	13,409,915	18.87%
2015	2,290,963	2,290,963	-	13,216,981	18.87%
2014	2,363,676	2,363,676	-	12,797,381	18.47%
<b>Component Unit School Board (nonprofessional)</b>					
2023	\$ 193,594	\$ 193,594	\$ -	\$ 535,232	36.17%
2022	132,602	132,602	-	479,965	27.63%
2021	108,026	108,026	-	380,908	28.36%
2020	94,367	94,367	-	413,317	22.83%
2019	111,670	111,670	-	488,976	22.84%
2018	128,395	128,395	-	476,016	26.97%
2017	130,309	130,309	-	470,771	27.68%
2016	115,179	115,179	-	442,484	26.03%
2015	111,139	111,139	-	426,964	26.03%
2014	119,538	119,538	-	503,742	23.73%
<b>Component Unit School Board (professional)</b>					
2023	\$ 1,995,492	\$ 1,995,492	\$ -	\$ 12,551,770	15.90%
2022	1,909,414	1,909,414	-	11,942,248	15.99%
2021	1,871,335	1,871,335	-	11,665,019	16.04%
2020	1,767,607	1,767,607	-	11,629,331	15.20%
2019	1,839,146	1,839,146	-	12,065,156	15.24%
2018	1,867,973	1,867,973	-	11,697,771	15.97%
2017	1,706,857	1,706,857	-	11,642,954	14.66%
2016	1,632,707	1,632,707	-	11,653,559	14.01%
2015	1,682,744	1,682,744	-	11,644,367	14.45%
2014	1,403,886	1,403,886	-	12,040,187	11.66%

\* Excludes contribution (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Notes to Required Supplementary Information  
 VRS Pension Plans  
 For the Year Ended June 30, 2023

**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, 2021, valuations were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

Schedule of the City of Martinsville, Virginia's Share of Net OPEB Liability  
 Group Life Insurance (GLI) Plan  
 For the Measurement Dates of June 30, 2017 through June 30, 2022

<u>Date</u>	<u>Employer's Proportion of the Net GLI OPEB Liability</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability</u>
<b>Primary Government:</b>					
2022	0.06608% \$	795,599 \$	14,373,330	5.54%	67.21%
2021	0.06564%	764,770	13,562,526	5.64%	67.45%
2020	0.06571%	1,095,346	13,507,364	8.11%	52.64%
2019	0.06584%	1,063,675	12,813,125	8.30%	52.00%
2018	0.06556%	996,180	12,417,162	8.02%	51.22%
2017	0.06690%	1,006,978	12,340,571	8.16%	48.86%
<b>Component Unit School Board (nonprofessional):</b>					
2022	0.00220% \$	26,611 \$	479,965	5.54%	67.21%
2021	0.00190%	21,539	380,908	5.65%	67.45%
2020	0.00201%	33,543	413,317	8.12%	52.64%
2019	0.00250%	40,682	488,976	8.32%	52.00%
2018	0.00256%	39,000	487,266	8.00%	51.22%
2017	0.00255%	38,000	470,771	8.07%	48.86%
<b>Component Unit School Board (professional):</b>					
2022	0.05500% \$	661,771 \$	11,955,720	5.54%	67.21%
2021	0.05650%	658,279	11,673,818	5.64%	67.45%
2020	0.05666%	945,562	11,661,219	8.11%	52.64%
2019	0.06131%	997,677	12,019,507	8.30%	52.00%
2018	0.06141%	933,000	11,676,842	7.99%	51.22%
2017	0.06306%	948,000	11,631,723	8.15%	48.86%

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

Schedule of Employer Contributions  
 Group Life Insurance (GLI) Plan  
 For the Years Ended June 30, 2014 through June 30, 2023

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Employee Payroll (4)</u>	<u>Contributions as a % of Covered Employee Payroll (5)</u>
<b>Primary Government</b>					
2023	\$ 84,024	\$ 84,024	\$ -	\$ 15,559,800	0.54%
2022	77,616	77,616	-	14,373,330	0.54%
2021	73,238	73,238	-	13,562,526	0.54%
2020	70,239	70,239	-	13,507,364	0.52%
2019	67,127	67,127	-	12,813,125	0.52%
2018	64,569	64,569	-	12,417,162	0.52%
2017	64,171	64,171	-	12,340,571	0.52%
2016	59,337	59,337	-	12,361,953	0.48%
2015	58,581	58,581	-	12,204,419	0.48%
2014	56,829	56,829	-	11,839,409	0.48%
<b>Component Unit School Board (nonprofessional)</b>					
2023	\$ 2,890	\$ 2,890	\$ -	\$ 535,232	0.54%
2022	2,592	2,592	-	479,965	0.54%
2021	2,057	2,057	-	380,908	0.54%
2020	2,149	2,149	-	413,317	0.52%
2019	2,543	2,543	-	488,976	0.52%
2018	2,553	2,553	-	487,266	0.52%
2017	2,448	2,448	-	470,771	0.52%
2016	2,140	2,140	-	445,817	0.48%
2015	2,125	2,125	-	442,703	0.48%
2014	2,451	2,451	-	510,590	0.48%
<b>Component Unit School Board (professional)</b>					
2023	\$ 67,805	\$ 67,805	\$ -	\$ 12,556,520	0.54%
2022	64,561	64,561	-	11,955,720	0.54%
2021	63,039	63,039	-	11,673,818	0.54%
2020	60,638	60,638	-	11,661,219	0.52%
2019	62,501	62,501	-	12,019,507	0.52%
2018	61,187	61,187	-	11,676,842	0.52%
2017	60,485	60,485	-	11,631,723	0.52%
2016	55,718	55,718	-	11,607,840	0.48%
2015	59,769	59,769	-	12,451,790	0.48%
2014	58,179	58,179	-	12,120,551	0.48%

Notes to Required Supplementary Information  
 Group Life Insurance (GLI) Plan  
 For the Year Ended June 30, 2023

**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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Teachers**

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

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

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

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

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

Schedule of Changes in the City of Martinsville, Virginia School Board's  
 Net OPEB Liability and Related Ratios  
 Nonprofessional Employee Health Insurance Credit (HIC) Plan  
 For the Measurement Dates of June 30, 2020 through June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Total HIC OPEB Liability</b>			
Service cost	\$ 1,641	\$ 1,519	\$ -
Interest	6,031	5,422	-
Changes in benefit terms	-	-	80,326
Differences between expected and actual experience	(1,686)	-	-
Changes of assumptions	22,188	2,075	-
Benefit payments	(3,272)	-	-
<b>Net change in total HIC OPEB liability</b>	<u>\$ 24,902</u>	<u>\$ 9,016</u>	<u>\$ 80,326</u>
<b>Total HIC OPEB Liability - beginning</b>	<u>89,342</u>	<u>80,326</u>	<u>-</u>
<b>Total HIC OPEB Liability - ending (a)</b>	<u><u>\$ 114,244</u></u>	<u><u>\$ 89,342</u></u>	<u><u>\$ 80,326</u></u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 7,728	\$ 6,132	\$ -
Net investment income	(102)	892	-
Benefit payments	(3,272)	-	-
Administrator charges	(22)	(27)	-
Other	-	-	-
<b>Net change in plan fiduciary net position</b>	<u>\$ 4,332</u>	<u>\$ 6,997</u>	<u>\$ -</u>
<b>Plan fiduciary net position - beginning</b>	<u>6,997</u>	<u>-</u>	<u>-</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 11,329</u></u>	<u><u>\$ 6,997</u></u>	<u><u>\$ -</u></u>
<b>School's net HIC OPEB liability - ending (a) - (b)</b>	\$ 102,915	\$ 82,345	\$ 80,326
<b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	9.92%	7.83%	0.00%
<b>Covered payroll</b>	\$ 479,965	\$ 380,908	N/A
<b>School's net HIC OPEB liability as a percentage of covered payroll</b>	21.44%	21.62%	N/A

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

Schedule of Employer Contributions  
 Nonprofessional Employee Health Insurance Credit (HIC) Plan  
 For the Years Ended June 30, 2021 through June 30, 2023

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<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2023	\$ 12,257	\$ 12,257	\$ -	\$ 535,232	2.29%
2022	7,727	7,727	-	479,965	1.61%
2021	6,133	6,133	-	380,908	1.61%

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

Notes to Required Supplementary Information  
 Nonprofessional Employee Health Insurance Credit (HIC) Plan  
 For the Year Ended June 30, 2023

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

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Schedule of the City of Martinsville, Virginia School Board's Share of Net OPEB Liability  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 For the Measurement Dates of June 30, 2017 through June 30, 2022

<b>Date</b>	<b>Employer's Proportion of the Net HIC OPEB Liability</b>	<b>Employer's Proportionate Share of the Net HIC OPEB Liability</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability</b>
2022	0.12813%	\$ 1,600,403	\$ 11,942,248	13.4012%	15.08%
2021	0.13190%	1,693,028	11,665,019	14.5137%	13.15%
2020	0.13265%	1,730,441	11,629,331	14.8800%	9.95%
2019	0.14320%	1,874,627	12,011,142	15.6074%	8.97%
2018	0.14438%	1,833,000	11,676,842	15.6977%	8.08%
2017	0.14714%	1,867,000	11,612,639	16.0773%	7.04%

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

Schedule of Employer Contributions  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 For the Years Ended June 30, 2014 through June 30, 2023

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<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Employee Payroll (4)</u>	<u>Contributions as a % of Covered Employee Payroll (5)</u>
2023	\$ 151,876	\$ 151,876	\$ -	\$ 12,551,770	1.21%
2022	144,501	144,501	-	11,942,248	1.21%
2021	141,147	141,147	-	11,665,019	1.21%
2020	139,552	139,552	-	11,629,331	1.20%
2019	144,134	144,134	-	12,011,142	1.20%
2018	143,625	143,625	-	11,676,842	1.23%
2017	128,900	128,900	-	11,612,639	1.11%
2016	123,000	123,000	-	11,603,738	1.06%
2015	131,395	131,395	-	12,395,708	1.06%
2014	133,646	133,646	-	12,040,187	1.11%

Notes to Required Supplementary Information  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 For the Year Ended June 30, 2023

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

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Schedule of Changes in Total OPEB Liability and Related Ratios  
City and School OPEB Plan  
For the Years Ended June 30, 2018 through June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Primary Government:</b>						
<b>Total OPEB liability</b>						
Service cost	\$ 51,000	\$ 44,000	\$ 51,000	\$ 46,000	\$ 69,000	\$ 67,000
Interest	65,000	85,000	105,000	125,000	114,000	118,000
Differences between expected and actual experience	396,000	41,000	207,000	(14,000)	264,000	-
Changes of assumptions	(418,000)	-	-	97,000	230,000	-
Benefit payments, including refunds of employee contributions	(372,000)	(394,000)	(331,000)	(397,000)	(375,000)	(241,000)
Other changes	-	100,000	135,000	-	-	-
<b>Net change in total OPEB liability</b>	<b>\$ (278,000)</b>	<b>\$ (124,000)</b>	<b>\$ 167,000</b>	<b>\$ (143,000)</b>	<b>\$ 302,000</b>	<b>\$ (56,000)</b>
<b>Total OPEB liability - beginning</b>	<b>3,508,000</b>	<b>3,632,000</b>	<b>3,465,000</b>	<b>3,608,000</b>	<b>3,306,000</b>	<b>3,362,000</b>
<b>Total OPEB liability - ending</b>	<b>\$ 3,230,000</b>	<b>\$ 3,508,000</b>	<b>\$ 3,632,000</b>	<b>\$ 3,465,000</b>	<b>\$ 3,608,000</b>	<b>\$ 3,306,000</b>
<b>Covered-employee payroll</b>	<b>\$ 4,322,000</b>	<b>\$ 4,166,000</b>	<b>\$ 4,166,000</b>	<b>\$ 5,601,000</b>	<b>\$ 5,601,000</b>	<b>\$ 7,427,000</b>
<b>City's total OPEB liability (asset) as a percentage of covered-employee payroll</b>	<b>74.73%</b>	<b>84.21%</b>	<b>87.18%</b>	<b>61.86%</b>	<b>64.42%</b>	<b>44.51%</b>
<b>Component Unit School Board:</b>						
<b>Total OPEB liability</b>						
Service cost	\$ 18,000	\$ 16,000	\$ 19,000	\$ 19,000	\$ 23,000	\$ 22,000
Interest	10,000	12,000	21,000	24,000	25,000	26,000
Differences between expected and actual experience	(198,000)	3,000	(197,000)	19,000	38,000	-
Changes of assumptions	(19,000)	14,000	17,000	18,000	(11,000)	-
Benefit payments, including refunds of employee contributions	(44,000)	(35,000)	(56,000)	(88,000)	(108,000)	(48,000)
<b>Net change in total OPEB liability</b>	<b>\$ (233,000)</b>	<b>\$ 10,000</b>	<b>\$ (196,000)</b>	<b>\$ (8,000)</b>	<b>\$ (33,000)</b>	<b>\$ -</b>
<b>Total OPEB liability - beginning</b>	<b>507,000</b>	<b>497,000</b>	<b>693,000</b>	<b>701,000</b>	<b>734,000</b>	<b>734,000</b>
<b>Total OPEB liability - ending</b>	<b>\$ 274,000</b>	<b>\$ 507,000</b>	<b>\$ 497,000</b>	<b>\$ 693,000</b>	<b>\$ 701,000</b>	<b>\$ 734,000</b>
<b>Covered-employee payroll</b>	<b>\$ 1,959,000</b>	<b>\$ 2,564,000</b>	<b>\$ 2,564,000</b>	<b>\$ 4,072,000</b>	<b>\$ 4,072,000</b>	<b>\$ 4,764,000</b>
<b>School's total OPEB liability (asset) as a percentage of covered-employee payroll</b>	<b>13.99%</b>	<b>19.77%</b>	<b>19.38%</b>	<b>17.02%</b>	<b>17.22%</b>	<b>15.41%</b>

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, 2023

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Valuation Date: 7/1/2022  
 Measurement Date: 7/1/2022

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

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry Age Actuarial Cost Method
Discount Rate	3.69%
Salary Scale	2.50%
Healthcare Trend Rate	6.25% for fiscal year end 2023, decreasing 0.25% per year to an ultimate rate of 5.00%.
Mortality Rates	RP 2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021

**Other Supplementary Information**



## **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, 2023

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Other local taxes	\$ 2,350,000	\$ 2,350,000	\$ 2,754,823	\$ 404,823
Intergovernmental:				
Federal	<u>372,721</u>	<u>372,721</u>	<u>372,721</u>	<u>-</u>
Total revenues	<u>\$ 2,722,721</u>	<u>\$ 2,722,721</u>	<u>\$ 3,127,544</u>	<u>\$ 404,823</u>
Expenditures:				
Current:				
General government administration	\$ 67,278	\$ 67,278	\$ 67,278	\$ -
Debt service:				
Principal retirement	777,465	777,465	777,465	-
Interest and other fiscal charges	<u>427,179</u>	<u>427,179</u>	<u>427,179</u>	<u>-</u>
Total expenditures	<u>\$ 1,271,922</u>	<u>\$ 1,271,922</u>	<u>\$ 1,271,922</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,450,799</u>	<u>\$ 1,450,799</u>	<u>\$ 1,855,622</u>	<u>\$ 404,823</u>
Other financing sources (uses):				
Transfers (out)	<u>\$ (1,450,799)</u>	<u>\$ (1,450,799)</u>	<u>\$ (1,450,799)</u>	<u>\$ -</u>
Changes in fund balances	\$ -	\$ -	\$ 404,823	\$ 404,823
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>1,253,467</u>	<u>1,253,467</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,658,290</u></u>	<u><u>\$ 1,658,290</u></u>

Nonmajor Governmental Funds  
 Combining Balance Sheet  
 At June 30, 2023

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	
	<u>City Grants Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 140,315	\$ 1,888,971	\$ 2,029,286
Total assets	<u>\$ 140,315</u>	<u>\$ 1,888,971</u>	<u>\$ 2,029,286</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 16,255	\$ 22,255	\$ 38,510
Total liabilities	<u>\$ 16,255</u>	<u>\$ 22,255</u>	<u>\$ 38,510</u>
<b>FUND BALANCES</b>			
Assigned:			
Capital reserve fund	\$ -	\$ 1,866,716	\$ 1,866,716
Special revenue	<u>124,060</u>	<u>-</u>	<u>124,060</u>
Total fund balances	<u>\$ 124,060</u>	<u>\$ 1,866,716</u>	<u>\$ 1,990,776</u>
Total liabilities and fund balances	<u>\$ 140,315</u>	<u>\$ 1,888,971</u>	<u>\$ 2,029,286</u>

Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2023

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
	<u>City Grants Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
<b>Revenues:</b>			
Revenue from use of money and property	\$ 6,115	\$ -	\$ 6,115
Intergovernmental:			
Commonwealth	-	1,519,768	1,519,768
Federal	28,475	-	28,475
	<u>34,590</u>	<u>1,519,768</u>	<u>1,554,358</u>
Total revenues	\$ 34,590	\$ 1,519,768	\$ 1,554,358
<b>Expenditures:</b>			
General government administration	\$ -	\$ 944,423	\$ 944,423
Public safety	-	186,470	186,470
Public works	-	298,041	298,041
Parks, recreation, and cultural	-	5,000	5,000
Planning and community development	11,485	-	11,485
Debt service:			
Principal retirement	-	333,738	333,738
Interest and fiscal charges	-	27,610	27,610
	<u>11,485</u>	<u>1,795,282</u>	<u>1,806,767</u>
Total expenditures	\$ 11,485	\$ 1,795,282	\$ 1,806,767
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ 23,105</u>	<u>\$ (275,514)</u>	<u>\$ (252,409)</u>
<b>Other financing sources:</b>			
Transfers in	\$ -	\$ 1,450,799	\$ 1,450,799
Total other financing sources	<u>\$ -</u>	<u>\$ 1,450,799</u>	<u>\$ 1,450,799</u>
<b>Changes in fund balances</b>	\$ 23,105	\$ 1,175,285	\$ 1,198,390
<b>Fund balances at beginning of year</b>	<u>100,955</u>	<u>691,431</u>	<u>792,386</u>
<b>Fund balances at end of year</b>	<u>\$ 124,060</u>	<u>\$ 1,866,716</u>	<u>\$ 1,990,776</u>

**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, 2023

	<b>Special Revenue Funds</b>			<b>Variance From Final Budget Positive (Negative)</b>
	<b>City Grants Fund</b>			
	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	
<b>Revenues:</b>				
Revenue from use of money and property	\$ 12,010	\$ 12,010	\$ 6,115	\$ (5,895)
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	<u>1,171,310</u>	<u>1,171,310</u>	<u>28,475</u>	<u>(1,142,835)</u>
Total revenues	<u>\$ 1,183,320</u>	<u>\$ 1,183,320</u>	<u>\$ 34,590</u>	<u>\$ (1,148,730)</u>
<b>Expenditures:</b>				
General government administration	\$ -	\$ -	\$ -	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks, recreation, and cultural	-	-	-	-
Community development	1,090,504	1,099,925	11,485	1,088,440
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>\$ 1,090,504</u>	<u>\$ 1,099,925</u>	<u>\$ 11,485</u>	<u>\$ 1,088,440</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 92,816</b>	<b>\$ 83,395</b>	<b>\$ 23,105</b>	<b>\$ (60,290)</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
<b>Changes in fund balances</b>	<b>\$ 92,816</b>	<b>\$ 83,395</b>	<b>\$ 23,105</b>	<b>\$ (60,290)</b>
<b>Fund balances at beginning of year</b>	<u>(92,816)</u>	<u>(83,395)</u>	<u>100,955</u>	<u>184,350</u>
<b>Fund balances at end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 124,060</u></u>	<u><u>\$ 124,060</u></u>

Exhibit 30

<b>Capital Projects Fund</b>			
<b>Capital Reserve Fund</b>			
<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
\$ -	\$ -	\$ -	\$ -
-	1,230,288	1,519,768	289,480
-	-	-	-
<u>\$ -</u>	<u>\$ 1,230,288</u>	<u>\$ 1,519,768</u>	<u>\$ 289,480</u>
\$ 70,000	\$ 1,676,098	\$ 944,423	\$ 731,675
385,157	443,584	186,470	257,114
708,940	721,830	298,041	423,789
5,000	5,000	5,000	-
-	-	-	-
333,738	333,738	333,738	-
27,611	27,610	27,610	-
<u>\$ 1,530,446</u>	<u>\$ 3,207,860</u>	<u>\$ 1,795,282</u>	<u>\$ 1,412,578</u>
\$ (1,530,446)	\$ (1,977,572)	\$ (275,514)	\$ 1,702,058
<u>1,450,799</u>	<u>1,450,799</u>	<u>1,450,799</u>	<u>-</u>
\$ (79,647)	\$ (526,773)	\$ 1,175,285	\$ 1,702,058
<u>79,647</u>	<u>526,773</u>	<u>691,431</u>	<u>164,658</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,866,716</u></u>	<u><u>\$ 1,866,716</u></u>

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Combining Statement of Fiduciary Net Position -  
Custodial Funds  
At June 30, 2023

	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
<b>ASSETS</b>							
Cash and cash equivalents	\$ 584,042	\$ 19,284	\$ 554,557	\$ 37,544	\$ 284,854	\$ 39,659	\$ 1,519,940
Due from other governments	-	-	313	-	-	-	313
Total assets	<u>\$ 584,042</u>	<u>\$ 19,284</u>	<u>\$ 554,870</u>	<u>\$ 37,544</u>	<u>\$ 284,854</u>	<u>\$ 39,659</u>	<u>\$ 1,520,253</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ 170,307	\$ 13,988	\$ 46,264	\$ 2,820	\$ 233,379
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,307</u>	<u>\$ 13,988</u>	<u>\$ 46,264</u>	<u>\$ 2,820</u>	<u>\$ 233,379</u>
<b>NET POSITION</b>							
Restricted for:							
Retiree benefits	\$ 584,042	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 584,042
Inmates	-	19,284	-	-	-	-	19,284
Piedmont Regional Criminal Justice Training Academy	-	-	384,563	-	-	-	384,563
Southern Virginia Recreation Facility Authority	-	-	-	23,556	-	-	23,556
Blue Ridge Regional Library	-	-	-	-	238,590	-	238,590
Dan River ASAP	-	-	-	-	-	36,839	36,839
Total net position	<u>584,042</u>	<u>19,284</u>	<u>384,563</u>	<u>23,556</u>	<u>238,590</u>	<u>36,839</u>	<u>1,286,874</u>
Total liabilities and net position	<u>584,042</u>	<u>19,284</u>	<u>554,870</u>	<u>37,544</u>	<u>284,854</u>	<u>39,659</u>	<u>1,520,253</u>

**CITY OF MARTINSVILLE VIRGINIA**

Custodial Funds

Combining Statement of Changes in Fiduciary Net Position - Custodial Funds

For the Year Ended June 30, 2023

	<u>Insurance Trust Fund</u>	<u>Inmate Trust Fund</u>
<b>ADDITIONS</b>		
Retiree and City contributions	\$ 5,236,791	\$ -
Interest income	425	-
Collections for inmates	-	225,017
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>5,237,216</u>	\$ <u>225,017</u>
<b>DEDUCTIONS</b>		
Retiree benefits	\$ 5,198,046	\$ -
Disbursements for inmates	-	225,460
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>5,198,046</u>	\$ <u>225,460</u>
Net increase (decrease) in fiduciary net position	\$ <u>39,170</u>	\$ <u>(443)</u>
Net position, beginning of year	\$ <u>544,872</u>	\$ <u>19,727</u>
Net position, end of year	\$ <u><u>584,042</u></u>	\$ <u><u>19,284</u></u>

Exhibit 32

<b>Police Academy Fund</b>	<b>Southern Virginia Recreation Facility Authority Fund</b>	<b>Blue Ridge Regional Library Fund</b>	<b>Dan River ASAP Fund</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ 5,236,791
-	-	6,528	96	7,049
-	-	-	-	225,017
702,345	-	-	-	702,345
-	492,459	-	-	492,459
-	-	1,930,796	-	1,930,796
-	-	-	182,871	182,871
<u>\$ 702,345</u>	<u>\$ 492,459</u>	<u>\$ 1,937,324</u>	<u>\$ 182,967</u>	<u>\$ 8,777,328</u>
\$ -	\$ -	\$ -	\$ -	\$ 5,198,046
-	-	-	-	225,460
743,156	-	-	-	743,156
-	576,958	-	-	576,958
-	-	1,943,211	-	1,943,211
-	-	-	220,143	220,143
<u>\$ 743,156</u>	<u>\$ 576,958</u>	<u>\$ 1,943,211</u>	<u>\$ 220,143</u>	<u>\$ 8,906,974</u>
<u>\$ (40,811)</u>	<u>\$ (84,499)</u>	<u>\$ (5,887)</u>	<u>\$ (37,176)</u>	<u>(129,646)</u>
<u>\$ 425,374</u>	<u>\$ 108,055</u>	<u>\$ 244,477</u>	<u>\$ 74,015</u>	<u>\$ 1,416,520</u>
<u>\$ 384,563</u>	<u>\$ 23,556</u>	<u>\$ 238,590</u>	<u>\$ 36,839</u>	<u>\$ 1,286,874</u>

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**Discretely Presented Component Unit—School Board**



Combining Balance Sheet  
 Discretely Presented Component Unit -- School Board  
 At June 30, 2023

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>School Grants Fund</u>	<u>School Activity Fund</u>	<u>Totals</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 2,265,285	\$ -	\$ 209,299	\$ 2,474,584
Due from other governments	1,607,419	-	1,075,011	-	2,682,430
Total assets	<u>\$ 1,607,419</u>	<u>\$ 2,265,285</u>	<u>\$ 1,075,011</u>	<u>\$ 209,299</u>	<u>\$ 5,157,014</u>
<b>LIABILITIES</b>					
Reconciled overdraft	\$ 324,014	\$ -	\$ 1,174,812	\$ -	\$ 1,498,826
Accounts payable	239,199	13,506	842	-	253,547
Accrued liabilities	1,044,206	38,717	76,735	-	1,159,658
Total liabilities	<u>\$ 1,607,419</u>	<u>\$ 52,223</u>	<u>\$ 1,252,389</u>	<u>\$ -</u>	<u>\$ 2,912,031</u>
<b>FUND BALANCES</b>					
Committed:					
School food program	\$ -	\$ 2,213,062	\$ -	\$ -	\$ 2,213,062
Education	-	-	-	209,299	209,299
Unassigned	-	-	(177,378)	-	(177,378)
Total fund balances	<u>\$ -</u>	<u>\$ 2,213,062</u>	<u>\$ (177,378)</u>	<u>\$ 209,299</u>	<u>\$ 2,244,983</u>
Total liabilities and fund balances	<u>\$ 1,607,419</u>	<u>\$ 2,265,285</u>	<u>\$ 1,075,011</u>	<u>\$ 209,299</u>	<u>\$ 5,157,014</u>

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

Total Fund balances, above \$ 2,244,983

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. 14,015,100

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

Deferred outflows related to:

Pension items	\$ 3,343,051	
OPEB items	405,299	3,748,350

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	(13,921,688)
Net OPEB liability - group life insurance	(688,382)
Net OPEB liability - health insurance credit	(1,703,318)
Total Pay-as-you-Go OPEB liability	(274,000)

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

Deferred inflows related to:

Pension items	\$ (3,597,038)	
OPEB items	(586,257)	(4,183,295)

Net position of General Government Activities \$ (762,250)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2023

	<b>School Operating Fund</b>	<b>School Cafeteria Fund</b>	<b>School Grants Fund</b>	<b>School Activity Fund</b>	<b>Total</b>
<b>Revenues:</b>					
Revenue from use of money and property	\$ 2,528	\$ 42,010	\$ -	\$ -	\$ 44,538
Charges for services	-	185,104	-	-	185,104
Miscellaneous	34,335	-	-	409,125	443,460
Recovered costs	336,965	-	-	-	336,965
Intergovernmental:					
Local government	4,236,690	-	-	-	4,236,690
Commonwealth	18,993,990	31,510	-	-	19,025,500
Federal	4,081,345	1,825,110	1,904,736	-	7,811,191
<b>Total revenues</b>	<b>\$ 27,685,853</b>	<b>\$ 2,083,734</b>	<b>\$ 1,904,736</b>	<b>\$ 409,125</b>	<b>\$ 32,083,448</b>
<b>Expenditures:</b>					
Current:					
Education	\$ 27,696,252	\$ 2,027,474	\$ 2,180,396	\$ 357,555	\$ 32,261,677
<b>Total expenditures</b>	<b>\$ 27,696,252</b>	<b>\$ 2,027,474</b>	<b>\$ 2,180,396</b>	<b>\$ 357,555</b>	<b>\$ 32,261,677</b>
<b>Other financing sources (uses):</b>					
Insurance recoveries	\$ 10,399	\$ -	\$ -	\$ -	\$ 10,399
<b>Total other financing sources (uses)</b>	<b>\$ 10,399</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,399</b>
<b>Changes in fund balances</b>	<b>\$ -</b>	<b>\$ 56,260</b>	<b>\$ (275,660)</b>	<b>\$ 51,570</b>	<b>\$ (167,830)</b>
<b>Fund balances at beginning of year, as restated</b>	<b>-</b>	<b>2,156,802</b>	<b>98,282</b>	<b>157,729</b>	<b>2,412,813</b>
<b>Fund balances at end of year</b>	<b>\$ -</b>	<b>\$ 2,213,062</b>	<b>\$ (177,378)</b>	<b>\$ 209,299</b>	<b>\$ 2,244,983</b>

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, 2023

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Net changes in fund balances - total governmental funds \$ (167,830)

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

Capital outlays	\$ 768,896	
Depreciation expense	<u>(703,394)</u>	65,502

Transfer of joint tenancy assets from Primary Government to Component Unit School Board 777,465

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

Change in deferred inflows related to:

Pension items	\$ 5,205,145	
OPEB items	<u>40,787</u>	5,245,932

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	\$ (498,071)	
OPEB items	(23,490)	
Change in net pension liability	(2,269,106)	
Change in net OPEB liability - group life insurance	(8,564)	
Change in net OPEB liability - health insurance credit	72,055	
Change in total Pay-as-you-Go OPEB liability	<u>233,000</u>	<u>(2,494,176)</u>

Changes in net position of governmental activities \$ 3,426,893

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, 2023

	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)
<b>Revenues:</b>								
Revenue from use of money and property	\$ -	\$ -	\$ 2,528	\$ 2,528	\$ 50,000	\$ 50,000	\$ 42,010	\$ (7,990)
Charges for services	-	-	-	-	195,000	195,000	185,104	(9,896)
Miscellaneous	-	-	34,335	34,335	-	-	-	-
Recovered costs	280,000	280,000	336,965	56,965	-	-	-	-
Intergovernmental:								
Local government	5,820,397	5,820,397	4,236,690	(1,583,707)	-	-	-	-
Commonwealth	18,387,742	18,671,884	18,993,990	322,106	145,775	145,775	31,510	(114,265)
Federal	5,102,999	5,029,985	4,081,345	(948,640)	1,315,000	1,315,000	1,825,110	510,110
<b>Total revenues</b>	<b>\$ 29,591,138</b>	<b>\$ 29,802,266</b>	<b>\$ 27,685,853</b>	<b>\$ (2,116,413)</b>	<b>\$ 1,705,775</b>	<b>\$ 1,705,775</b>	<b>\$ 2,083,734</b>	<b>\$ 377,959</b>
<b>Expenditures:</b>								
Current:								
Education	\$ 29,518,124	\$ 30,161,860	\$ 27,696,252	\$ 2,465,608	\$ 2,293,640	\$ 2,293,640	\$ 2,027,474	\$ 266,166
<b>Total expenditures</b>	<b>\$ 29,518,124</b>	<b>\$ 30,161,860</b>	<b>\$ 27,696,252</b>	<b>\$ 2,465,608</b>	<b>\$ 2,293,640</b>	<b>\$ 2,293,640</b>	<b>\$ 2,027,474</b>	<b>\$ 266,166</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 73,014</b>	<b>\$ (359,594)</b>	<b>\$ (10,399)</b>	<b>\$ 349,195</b>	<b>\$ (587,865)</b>	<b>\$ (587,865)</b>	<b>\$ 56,260</b>	<b>\$ 644,125</b>
<b>Other financing sources (uses):</b>								
Insurance recoveries	\$ -	\$ -	\$ 10,399	\$ (10,399)	\$ -	\$ -	\$ -	\$ -
<b>Total other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,399</b>	<b>\$ (10,399)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Changes in fund balances</b>	<b>\$ 73,014</b>	<b>\$ (359,594)</b>	<b>\$ -</b>	<b>\$ 338,796</b>	<b>\$ (587,865)</b>	<b>\$ (587,865)</b>	<b>\$ 56,260</b>	<b>\$ 644,125</b>
<b>Fund balances at beginning of year, as restated</b>	<b>(73,014)</b>	<b>359,594</b>	<b>-</b>	<b>(359,594)</b>	<b>587,865</b>	<b>587,865</b>	<b>2,156,802</b>	<b>1,568,937</b>
<b>Fund balances at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,213,062</b>	<b>\$ 2,213,062</b>

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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	409,125	409,125
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,219,923	2,219,923	1,904,736	(315,187)	-	-	-	-
<u>\$ 2,219,923</u>	<u>\$ 2,219,923</u>	<u>\$ 1,904,736</u>	<u>\$ (315,187)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 409,125</u>	<u>\$ 409,125</u>
<u>\$ 2,219,923</u>	<u>\$ 2,219,923</u>	<u>\$ 2,180,396</u>	<u>\$ 39,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 357,555</u>	<u>\$ (357,555)</u>
<u>\$ 2,219,923</u>	<u>\$ 2,219,923</u>	<u>\$ 2,180,396</u>	<u>\$ 39,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 357,555</u>	<u>\$ (357,555)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (275,660)</u>	<u>\$ (275,660)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,570</u>	<u>\$ 51,570</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (275,660)</u>	<u>\$ (275,660)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,570</u>	<u>\$ 51,570</u>
<u>-</u>	<u>-</u>	<u>98,282</u>	<u>98,282</u>	<u>-</u>	<u>-</u>	<u>157,729</u>	<u>157,729</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (177,378)</u>	<u>\$ (177,378)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,299</u>	<u>\$ 209,299</u>

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**Supporting Schedules**



Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Revenues -- Budget and Actual  
For the Year Ended June 30, 2023

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government:</b>				
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,500,000	\$ 6,500,000	\$ 6,673,307	\$ 173,307
Real and personal public service corporation taxes	278,900	278,900	240,051	(38,849)
Personal property taxes	1,380,000	1,380,000	1,354,216	(25,784)
Business equipment	1,100,000	1,100,000	1,085,289	(14,711)
Machinery and tools taxes	125,000	125,000	148,407	23,407
Penalties	120,000	120,000	144,022	24,022
Interest and costs	135,000	135,000	217,035	82,035
	<u>\$ 9,638,900</u>	<u>\$ 9,638,900</u>	<u>\$ 9,862,327</u>	<u>\$ 223,427</u>
Total general property taxes				
Other local taxes:				
Local sales and use taxes	\$ 2,501,350	\$ 2,501,350	\$ 2,495,785	\$ (5,565)
Consumers' utility taxes	569,300	569,300	575,551	6,251
Business license tax	1,875,000	1,875,000	2,231,478	356,478
Franchise license taxes	20,000	20,000	20,000	-
Motor vehicle licenses	335,000	335,000	329,400	(5,600)
Bank franchise tax	310,000	310,000	500,114	190,114
Taxes on recordation and wills	50,000	50,000	76,618	26,618
Grantor tax	16,000	16,000	35,326	19,326
Cigarette tax	130,000	130,000	129,995	(5)
Rental tax	100	100	27	(73)
Transient room tax	15,000	15,000	29,690	14,690
	<u>\$ 5,821,750</u>	<u>\$ 5,821,750</u>	<u>\$ 6,423,984</u>	<u>\$ 602,234</u>
Total other local taxes				
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 3,500	\$ 3,500	\$ 2,954	\$ (546)
Other permits and licenses	72,450	72,450	62,950	(9,500)
	<u>\$ 75,950</u>	<u>\$ 75,950</u>	<u>\$ 65,904</u>	<u>\$ (10,046)</u>
Total permits, privilege fees and regulatory licenses				
Fines and Forfeitures:				
Court fines and forfeitures	\$ 100,000	\$ 100,000	\$ 83,107	\$ (16,893)
Other fines and forfeitures	9,000	9,000	8,981	(19)
	<u>\$ 109,000</u>	<u>\$ 109,000</u>	<u>\$ 92,088</u>	<u>\$ (16,912)</u>
Total fines and forfeitures				

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 For the Year Ended June 30, 2023 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Revenue from use of money and property:				
Revenue from use of money	\$ 275,020	\$ 275,020	\$ 544,283	\$ 269,263
Revenue from use of property	840,022	840,022	619,998	(220,024)
Total revenue from use of money and property	<u>\$ 1,115,042</u>	<u>\$ 1,115,042</u>	<u>\$ 1,164,281</u>	<u>\$ 49,239</u>
Charges for services:				
Sheriff fees	\$ 3,624	\$ 3,624	\$ 3,625	\$ 1
Courthouse maintenance fees	6,000	6,000	5,558	(442)
Court appointed attorney fees	6,000	6,000	5,192	(808)
Court house security fees	22,000	22,000	30,691	8,691
Ambulance Fees	668,000	668,000	716,492	48,492
Document reproduction fee	1,700	1,700	1,361	(339)
Remote access fee	10,000	10,000	19,857	9,857
Commonwealth attorney fees	4,000	4,000	4,987	987
Other public safety fees	7,400	7,400	6,431	(969)
Recreation fees	2,000	2,000	-	(2,000)
Prison farm labor / street maintenance	24,000	24,000	24,000	-
Telecom services	1,836,611	1,836,611	1,612,214	(224,397)
Other charges for services	33,500	33,500	102,163	68,663
Total charges for services	<u>\$ 2,624,835</u>	<u>\$ 2,624,835</u>	<u>\$ 2,532,571</u>	<u>\$ (92,264)</u>
Miscellaneous:				
Payment in lieu of tax	\$ 490,496	\$ 490,496	\$ 490,496	\$ -
Other miscellaneous revenue	39,000	171,191	226,290	55,099
Total miscellaneous	<u>\$ 529,496</u>	<u>\$ 661,687</u>	<u>\$ 716,786</u>	<u>\$ 55,099</u>
Recovered costs:				
WW Moore	\$ 35,000	\$ 35,000	\$ 92,043	\$ 57,043
SSI / LIDS	5,000	5,000	5,400	400
Circuit court and J&DR court	2,000	2,000	7,334	5,334
Meals tax administration	66,961	66,961	67,278	317
Street maintenance overhead	200,000	200,000	200,000	-
Demolition	3,000	3,000	6,413	3,413
Advance / recovered cost	100,000	100,000	231,452	131,452
Health department	5,000	5,000	22,107	17,107
Juror and witness	3,500	3,500	6,660	3,160
Sheriff	-	-	4,719	4,719
Medical co-pay reimbursement	6,000	6,000	4,218	(1,782)
Treasurer	17,000	17,000	27,297	10,297
Project lifesaver	1,000	1,000	1,503	503

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Revenues -- Budget and Actual  
For the Year Ended June 30, 2023 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Recovered costs: (Continued)				
Traffic reimbursement	\$ 500	\$ 500	\$ 809	\$ 309
Telecom recovered costs	60,000	60,000	219,064	159,064
Collection expense	87,730	87,730	87,730	-
Billing expense	361,617	361,617	361,617	-
Safety expense	29,165	29,165	29,165	-
Communication	12,016	12,016	12,016	-
Public safety	35,000	35,000	10,387	(24,613)
Inmate fees	75,000	75,000	50,823	(24,177)
Crisis intervention team	45,000	45,000	41,674	(3,326)
Central garage	131,793	131,793	131,793	-
Other central services	714,876	714,876	714,876	-
Senior citizens	6,000	6,000	-	(6,000)
Social services	23,525	23,525	23,526	1
Program income	1,200	1,200	1,200	-
Fire training	-	-	-	-
EMS Training	2,500	2,500	-	(2,500)
Senior citizens - transportation	2,000	2,000	1,257	(743)
Fiscal agent fees - regional library	3,600	3,600	3,600	-
<b>Total recovered costs</b>	<b>\$ 2,035,983</b>	<b>\$ 2,035,983</b>	<b>\$ 2,365,961</b>	<b>\$ 329,978</b>
<b>Total revenue from local sources</b>	<b>\$ 21,950,956</b>	<b>\$ 22,083,147</b>	<b>\$ 23,223,902</b>	<b>\$ 1,140,755</b>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 8,400	\$ 8,400	\$ 7,950	\$ (450)
PPTRA	626,428	626,428	626,428	-
Communications tax	650,000	650,000	631,884	(18,116)
Auto rental tax	100,000	100,000	121,096	21,096
<b>Total noncategorical aid</b>	<b>\$ 1,384,828</b>	<b>\$ 1,384,828</b>	<b>\$ 1,387,358</b>	<b>\$ 2,530</b>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 543,826	\$ 543,826	\$ 542,083	\$ (1,743)
Sheriff	2,076,395	2,076,395	2,352,190	275,795
Commissioner of the Revenue	126,426	126,426	133,572	7,146
Treasurer	108,332	108,332	115,920	7,588
Registrar/electoral board	71,000	71,000	66,084	(4,916)
Clerk of the circuit court	338,621	338,621	352,325	13,704
<b>Total shared expenses</b>	<b>\$ 3,264,600</b>	<b>\$ 3,264,600</b>	<b>\$ 3,562,174</b>	<b>\$ 297,574</b>

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Revenues -- Budget and Actual  
For the Year Ended June 30, 2023 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive Negative
<b>Primary Government: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Senior citizens	\$ -	\$ -	6,683	\$ 6,683
Confiscated assets	-	3,776	7,830	4,054
Victim witness	33,888	33,888	30,979	(2,909)
House Bill # 599 - police	936,016	936,016	1,029,015	92,999
EMS four for life	10,000	10,000	-	(10,000)
Fire grant	55,940	55,940	54,103	(1,837)
Street maintenance	3,648,247	3,648,247	4,128,931	480,684
Jail per diem	400,000	400,000	207,714	(192,286)
Children's services	525,000	525,000	696,522	171,522
Other categorical aid	-	-	34,647	34,647
Total other categorical aid	<u>\$ 5,609,091</u>	<u>\$ 5,612,867</u>	<u>\$ 6,196,424</u>	<u>\$ 583,557</u>
Total categorical aid	<u>\$ 8,873,691</u>	<u>\$ 8,877,467</u>	<u>\$ 9,758,598</u>	<u>\$ 881,131</u>
Total revenue from the Commonwealth	<u>\$ 10,258,519</u>	<u>\$ 10,262,295</u>	<u>\$ 11,145,956</u>	<u>\$ 883,661</u>
Revenue from the federal government:				
Categorical aid:				
Victim witness	\$ 79,071	\$ 79,071	73,558	\$ (5,513)
Confiscated assets	9,000	27,597	22,852	(4,745)
DMV grant - police	9,000	11,622	14,569	2,947
Senior citizens	20,000	20,000	22,088	2,088
Bulletproof vest grant	-	-	7,588	7,588
Brownfields grant	-	-	13,052	13,052
FEMA	7,500	7,500	247,949	240,449
Coronavirus state and local fiscal recovery funds	-	750,000	5,537,094	4,787,094
Other categorical aid	5,000	31,854	291,361	259,507
Total categorical aid	<u>\$ 129,571</u>	<u>\$ 927,644</u>	<u>\$ 6,230,111</u>	<u>\$ 5,302,467</u>
Total revenue from the Federal Government	<u>\$ 129,571</u>	<u>\$ 927,644</u>	<u>\$ 6,230,111</u>	<u>\$ 5,302,467</u>
<b>Total General Fund</b>	<u><u>\$ 32,339,046</u></u>	<u><u>\$ 33,273,086</u></u>	<u><u>\$ 40,599,969</u></u>	<u><u>\$ 7,326,883</u></u>
<b>Special Revenue Funds:</b>				
<b>City Grants Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	120	\$ 120
Revenue from use of property	12,010	12,010	5,995	(6,015)
Total revenue from use of money and property	<u>\$ 12,010</u>	<u>\$ 12,010</u>	<u>\$ 6,115</u>	<u>\$ (5,895)</u>
Total revenue from local sources	<u>\$ 12,010</u>	<u>\$ 12,010</u>	<u>\$ 6,115</u>	<u>\$ (5,895)</u>
Revenue from the federal government:				
Categorical aid:				
Community development block grant	<u>\$ 1,171,310</u>	<u>\$ 1,171,310</u>	<u>\$ 28,475</u>	<u>\$ (1,142,835)</u>
Total revenue from the Federal Government	<u>\$ 1,171,310</u>	<u>\$ 1,171,310</u>	<u>\$ 28,475</u>	<u>\$ (1,142,835)</u>
<b>Total City Grants Fund</b>	<u><u>\$ 1,183,320</u></u>	<u><u>\$ 1,183,320</u></u>	<u><u>\$ 34,590</u></u>	<u><u>\$ (1,148,730)</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Revenues -- Budget and Actual  
For the Year Ended June 30, 2023 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>Capital Projects Funds:</b>				
<b>Capital Reserve Fund:</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Jail construction reimbursement	\$ -	\$ 1,230,288	\$ 1,519,768	\$ 289,480
Total revenue from the Commonwealth	\$ -	\$ 1,230,288	\$ 1,519,768	\$ 289,480
<b>Total Capital Reserve Fund</b>	<b>\$ -</b>	<b>\$ 1,230,288</b>	<b>\$ 1,519,768</b>	<b>\$ 289,480</b>
<b>Meals Tax Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Meals taxes	\$ 2,350,000	\$ 2,350,000	\$ 2,754,823	\$ 404,823
Total revenue from local sources	\$ 2,350,000	\$ 2,350,000	\$ 2,754,823	\$ 404,823
Intergovernmental:				
Revenue from the Federal Government				
Categorical aid:				
QSCB tax credit	\$ 372,721	\$ 372,721	\$ 372,721	\$ -
Total revenue from the Federal Government	\$ 372,721	\$ 372,721	\$ 372,721	\$ -
<b>Total Meals Tax Fund</b>	<b>\$ 2,722,721</b>	<b>\$ 2,722,721</b>	<b>\$ 3,127,544</b>	<b>\$ 404,823</b>
<b>Total Capital Projects Funds</b>	<b>\$ 2,722,721</b>	<b>\$ 3,953,009</b>	<b>\$ 4,647,312</b>	<b>\$ 694,303</b>
<b>Total Revenues -- Primary Government</b>	<b>\$ 36,245,087</b>	<b>\$ 38,409,415</b>	<b>\$ 45,281,871</b>	<b>\$ 6,872,456</b>

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Revenues -- Budget and Actual  
For the Year Ended June 30, 2023 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Component Unit-School Board:</b>				
<b>Governmental Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ -	\$ 2,528	\$ 2,528
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ -	\$ 34,335	\$ 34,335
Recovered costs:				
Recovered costs	\$ 280,000	\$ 280,000	\$ 336,965	\$ 56,965
Total revenue from local sources	\$ 280,000	\$ 280,000	\$ 373,828	\$ 93,828
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Martinsville, Virginia	\$ 5,820,397	\$ 5,820,397	\$ 4,236,690	\$ (1,583,707)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,036,067	\$ 3,036,067	\$ 3,233,615	\$ 197,548
Basic school aid	6,440,805	6,440,805	6,013,070	(427,735)
Share of fringe benefits - FICA	421,894	421,894	421,483	(411)
Share of fringe benefits - VRS	984,420	984,420	983,459	(961)
English as a second language	138,479	138,479	158,600	20,121
Group life insurance benefits	30,229	30,229	30,200	(29)
Regional tuition special education	278,088	278,088	315,039	36,951
Early reading intervention	151,118	211,260	193,823	(17,437)
Vocational SOQ payments	68,344	68,344	68,278	(66)
Special education - basic	549,383	549,383	558,054	8,671
At risk students	2,093,816	2,093,816	1,454,047	(639,769)
Homebound education	8,086	8,086	-	(8,086)
Remedial education	103,552	103,552	140,795	37,243
Remediation SOQ payments	520,468	520,468	519,960	(508)
Reduced K-3	608,302	608,302	640,707	32,405
Preschool initiative	390,048	390,048	655,280	265,232
Textbooks	173,989	173,989	173,819	(170)
Technology	163,968	163,968	154,000	(9,968)
Other state funds	2,226,686	2,450,686	3,279,761	829,075
Total categorical aid	\$ 18,387,742	\$ 18,671,884	\$ 18,993,990	\$ 322,106
Total revenue from the Commonwealth	\$ 18,387,742	\$ 18,671,884	\$ 18,993,990	\$ 322,106

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Revenues -- Budget and Actual  
For the Year Ended June 30, 2023 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Component Unit-School Board: (Continued)</b>				
<b>Governmental Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Education stabilization fund	\$ 4,960,467	\$ 4,960,467	\$ 3,795,800	\$ (1,164,667)
Other federal categorical aid	69,518	69,518	285,545	216,027
Total categorical aid	<u>\$ 5,102,999</u>	<u>\$ 5,029,985</u>	<u>\$ 4,081,345</u>	<u>\$ (948,640)</u>
Total revenue from the federal government	<u>\$ 5,102,999</u>	<u>\$ 5,029,985</u>	<u>\$ 4,081,345</u>	<u>\$ (948,640)</u>
<b>Total School Operating Fund</b>	<u><b>\$ 29,591,138</b></u>	<u><b>\$ 29,802,266</b></u>	<u><b>\$ 27,685,853</b></u>	<u><b>\$ (2,116,413)</b></u>
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 42,010	\$ (7,990)
Charges for services:				
Cafeteria sales	\$ 195,000	\$ 195,000	\$ 185,104	\$ (9,896)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 145,775	\$ 145,775	\$ 31,510	\$ (114,265)
Revenue from the federal government:				
Categorical aid:				
School food	\$ 1,315,000	\$ 1,315,000	\$ 1,825,110	\$ 510,110
<b>Total School Cafeteria Fund</b>	<u><b>\$ 1,705,775</b></u>	<u><b>\$ 1,705,775</b></u>	<u><b>\$ 2,083,734</b></u>	<u><b>\$ 377,959</b></u>
<b>School Grants Fund:</b>				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,205,537	\$ 1,205,537	\$ 846,990	\$ (358,547)
Title II - teacher quality	141,125	141,125	90,745	(50,380)
Title III - language acquisition grant	14,113	14,113	33,219	19,106
Title IV - student support and academic enrichment	96,758	96,758	120,447	23,689
Title VI - rural education	54,178	54,178	71,368	17,190
Special education - flow through	627,197	627,197	607,706	(19,491)
Special education - preschool	8,001	8,001	3,074	(4,927)
Perkins vocational education	73,014	73,014	131,187	58,173
Total revenue from the federal government	<u>\$ 2,219,923</u>	<u>\$ 2,219,923</u>	<u>\$ 1,904,736</u>	<u>\$ (315,187)</u>
<b>Total School Grants Fund</b>	<u><b>\$ 2,219,923</b></u>	<u><b>\$ 2,219,923</b></u>	<u><b>\$ 1,904,736</b></u>	<u><b>\$ (315,187)</b></u>
<b>School Activity Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ -	\$ 409,125	\$ 409,125
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 409,125</u>	<u>\$ 409,125</u>
<b>Total School Activity Fund</b>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 409,125</b></u>	<u><b>\$ 409,125</b></u>
<b>Total Revenues--Component Unit - School Board</b>	<u><b>\$ 33,516,836</b></u>	<u><b>\$ 33,727,964</b></u>	<u><b>\$ 32,083,448</b></u>	<u><b>\$ (1,644,516)</b></u>

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Expenditures - Budget and Actual  
For the Year Ended June 30, 2023

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government:</b>				
<b>General Fund:</b>				
General Government Administration:				
Legislative:				
City council	\$ 47,459	\$ 47,459	\$ 65,047	\$ (17,588)
General and Financial Administration:				
Clerk of council	\$ 5,001	\$ 5,001	\$ 4,998	\$ 3
City attorney	131,768	131,768	121,033	10,735
City manager's office	304,723	304,723	297,832	6,891
Assistant city manager	74,510	74,510	57,297	17,213
Legal services	5,000	5,000	-	5,000
Human resources	244,928	244,928	234,941	9,987
Employment services	422,370	422,370	376,642	45,728
Communications	114,217	114,217	92,725	21,492
Commissioner of the Revenue	548,488	548,488	494,156	54,332
Assessor	7,750	7,750	8,529	(779)
Treasurer	404,795	404,795	388,560	16,235
Finance director	276,834	276,834	290,132	(13,298)
Accounting	211,763	211,763	218,534	(6,771)
Utility billing	423,169	423,169	405,183	17,986
Information services	621,185	621,185	535,595	85,590
Central garage	534,717	534,717	514,107	20,610
Purchasing	196,857	196,857	197,489	(632)
Risk management	237,050	237,050	332,489	(95,439)
ARPA expenditures	-	-	107,685	(107,685)
General expenses	265,392	265,392	658,282	(392,890)
Total general and financial administration	\$ 5,030,517	\$ 5,030,517	\$ 5,336,209	\$ (305,692)
Board of Elections:				
Electoral board and officials	\$ 26,997	\$ 26,997	\$ 17,745	\$ 9,252
Registrar	187,676	187,676	186,752	924
Total board of elections	\$ 214,673	\$ 214,673	\$ 204,497	\$ 10,176
Total general government administration	\$ 5,292,649	\$ 5,292,649	\$ 5,605,753	\$ (313,104)
Judicial Administration:				
Courts:				
Circuit court	\$ 98,887	\$ 137,838	\$ 97,049	\$ 40,789
General district court	33,080	33,080	7,267	25,813
Juvenile and domestic relations court	5,150	5,150	3,702	1,448
Clerk of the circuit court	529,127	529,127	510,664	18,463
Sheriff - courts	1,384,810	1,415,477	1,256,576	158,901
Total Courts	\$ 2,051,054	\$ 2,120,672	\$ 1,875,258	\$ 245,414

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Expenditures - Budget and Actual  
For the Year Ended June 30, 2023 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Commonwealth Attorney:				
Commonwealth attorney	\$ 919,905	\$ 925,122	\$ 833,009	\$ 92,113
Victim witness program	121,917	121,917	114,755	7,162
Total Commonwealth attorney	<u>\$ 1,041,822</u>	<u>\$ 1,047,039</u>	<u>\$ 947,764</u>	<u>\$ 99,275</u>
Total judicial administration	<u>\$ 3,092,876</u>	<u>\$ 3,167,711</u>	<u>\$ 2,823,022</u>	<u>\$ 344,689</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	\$ 4,821,623	\$ 6,178,468	\$ 5,305,714	\$ 872,754
Transportation safety commission	1,500	1,500	1,490	10
Total law enforcement and traffic control	<u>\$ 4,823,123</u>	<u>\$ 6,179,968</u>	<u>\$ 5,307,204</u>	<u>\$ 872,764</u>
Fire and Rescue Services:				
Fire services	\$ 2,701,515	\$ 2,748,915	\$ 2,624,364	\$ 124,551
Emergency medical services	400,674	416,530	469,884	(53,354)
Total fire and rescue services	<u>\$ 3,102,189</u>	<u>\$ 3,165,445</u>	<u>\$ 3,094,248</u>	<u>\$ 71,197</u>
Correction and Detention:				
Sheriff -corrections	\$ 4,234,195	\$ 4,265,833	\$ 3,768,790	\$ 497,043
Sheriff -jail annex	211,317	211,317	140,952	70,365
Probation office	352,054	352,054	351,449	605
Total correction and detention	<u>\$ 4,797,566</u>	<u>\$ 4,829,204</u>	<u>\$ 4,261,191</u>	<u>\$ 568,013</u>
Inspections:				
Building and other	\$ 593,894	\$ 593,894	\$ 391,860	\$ 202,034
Other Protection:				
Safety	\$ 226,016	\$ 229,754	\$ 218,880	\$ 10,874
ARPA expenditures	-	-	143,067	(143,067)
Total other protection	<u>\$ 226,016</u>	<u>\$ 229,754</u>	<u>\$ 361,947</u>	<u>\$ (132,193)</u>
Total public safety	<u>\$ 13,542,788</u>	<u>\$ 14,998,265</u>	<u>\$ 13,416,450</u>	<u>\$ 1,581,815</u>
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Director of public works	\$ 158,988	\$ 158,988	\$ 112,512	\$ 46,476
Engineering	184,522	184,522	103,341	81,181
Street maintenance	2,566,236	2,887,699	2,522,178	365,521
Street marking and signs	272,988	272,988	259,364	13,624
Traffic signals	586,211	586,211	622,231	(36,020)

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Expenditures - Budget and Actual  
For the Year Ended June 30, 2023 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Public Works: (Continued)				
Maintenance of highways, streets, bridges and sidewalks: (Continued)				
Street cleaning	\$ 474,048	\$ 474,048	\$ 399,853	\$ 74,195
ARPA expenditures	-	-	272,196	(272,196)
Street construction	282,636	282,636	292,336	(9,700)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 4,525,629</u>	<u>\$ 4,847,092</u>	<u>\$ 4,584,011</u>	<u>\$ 263,081</u>
Maintenance of buildings and grounds:				
Uptown maintenance	\$ 72,225	\$ 72,225	\$ 62,911	\$ 9,314
City hall maintenance	572,865	572,865	644,444	(71,579)
Warehouse / garage complex	125,249	125,249	131,012	(5,763)
WPBDC building	62,390	62,390	72,172	(9,782)
Chief Tassel / Med School / BB&T	87,680	87,680	125,565	(37,885)
Total maintenance of buildings and grounds	<u>\$ 920,409</u>	<u>\$ 920,409</u>	<u>\$ 1,036,104</u>	<u>\$ (115,695)</u>
Total public works	<u>\$ 5,446,038</u>	<u>\$ 5,767,501</u>	<u>\$ 5,620,115</u>	<u>\$ 147,386</u>
Health and Welfare				
Health:				
Contribution to local health department	\$ 132,907	\$ 132,907	\$ 132,907	-
Opioid abatement	-	126,789	-	126,789
Total health	<u>\$ 132,907</u>	<u>\$ 259,696</u>	<u>\$ 132,907</u>	<u>\$ 126,789</u>
Mental Health and Mental Retardation:				
Chapter X board	\$ 58,125	\$ 58,125	\$ 58,125	-
Welfare/Social Services:				
Comprehensive services	\$ 700,000	\$ 700,000	\$ 1,184,994	\$ (484,994)
Regional social services board	548,056	548,056	525,709	22,347
Total welfare/social services	<u>\$ 1,248,056</u>	<u>\$ 1,248,056</u>	<u>\$ 1,710,703</u>	<u>\$ (462,647)</u>
Total health and welfare	<u>\$ 1,439,088</u>	<u>\$ 1,565,877</u>	<u>\$ 1,901,735</u>	<u>\$ (335,858)</u>
Education:				
Contributions to community colleges	\$ 19,835	\$ 19,835	\$ 19,835	-
Contributions to School Board Component Unit	5,820,391	5,820,391	4,236,690	1,583,701
Total education	<u>\$ 5,840,226</u>	<u>\$ 5,840,226</u>	<u>\$ 4,256,525</u>	<u>\$ 1,583,701</u>

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Expenditures - Budget and Actual  
For the Year Ended June 30, 2023 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Parks, Recreation, and Cultural:				
Parks and recreation:				
Parks & Recreation	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Park maintenance	279,852	279,852	277,126	2,726
Hooker field/Mustangs	79,445	79,445	78,399	1,046
Senior services	151,962	151,962	185,508	(33,546)
Total parks and recreation	<u>\$ 561,259</u>	<u>\$ 561,259</u>	<u>\$ 603,807</u>	<u>\$ (42,548)</u>
Library:				
Regional library	\$ 301,879	\$ 308,450	\$ 308,450	\$ -
Total parks, recreation and cultural	<u>\$ 863,138</u>	<u>\$ 869,709</u>	<u>\$ 912,257</u>	<u>\$ (42,548)</u>
Community Development:				
Planning and Community Development:				
Community Development	\$ 363,627	\$ 408,588	\$ 866,205	\$ (457,617)
Telecom system	2,085,540	2,085,540	2,053,220	32,320
Planning and zoning	6,900	6,900	2,199	4,701
ARPA expenditures	-	-	1,937,240	(1,937,240)
Contributions to local organizations	880,952	880,952	990,884	(109,932)
Total planning and community development	<u>\$ 3,337,019</u>	<u>\$ 3,381,980</u>	<u>\$ 5,849,748</u>	<u>\$ (2,467,768)</u>
Cooperative Extension Program:				
Horticulture and family resources	\$ 7,756	\$ 7,756	\$ 7,756	\$ -
Total community development	<u>\$ 3,344,775</u>	<u>\$ 3,389,736</u>	<u>\$ 5,857,504</u>	<u>\$ (2,467,768)</u>
<b>Total General Fund</b>	<u><u>\$ 38,861,578</u></u>	<u><u>\$ 40,891,674</u></u>	<u><u>\$ 40,393,361</u></u>	<u><u>\$ 498,313</u></u>
<b>Special Revenue Fund:</b>				
<b>City Grants Fund:</b>				
Community Development:				
Community development block grant	\$ 1,090,504	\$ 1,099,925	\$ 11,485	\$ 1,088,440
<b>Total City Grants Fund</b>	<u><u>\$ 1,090,504</u></u>	<u><u>\$ 1,099,925</u></u>	<u><u>\$ 11,485</u></u>	<u><u>\$ 1,088,440</u></u>
<b>Total Special Revenue Fund</b>	<u><u>\$ 1,090,504</u></u>	<u><u>\$ 1,099,925</u></u>	<u><u>\$ 11,485</u></u>	<u><u>\$ 1,088,440</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Expenditures - Budget and Actual  
For the Year Ended June 30, 2023 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Capital Projects Funds:</b>				
<b>Capital Reserve Fund:</b>				
General Government Administration:				
Computer software - information services	\$ 70,000	\$ 160,990	\$ 106,730	\$ 54,260
Physical plant expansion - Schools	-	1,515,108	837,693	677,415
Total general government administration	<u>\$ 70,000</u>	<u>\$ 1,676,098</u>	<u>\$ 944,423</u>	<u>\$ 731,675</u>
Public Safety:				
Police department - vehicles	\$ 40,000	\$ 40,000	\$ 29,328	\$ 10,672
Fire department - vehicles	48,599	48,599	-	48,599
Sheriff/Jail - vehicles	-	36,197	36,197	-
EMS - vehicles	140,147	140,147	-	140,147
Major tools and equipment - Police department	126,759	126,759	75,293	51,466
Major tools and equipment - Sheriff / Jail	29,652	29,652	29,652	-
Physical plant expansion - Fire department	-	22,230	16,000	6,230
Total public safety	<u>\$ 385,157</u>	<u>\$ 443,584</u>	<u>\$ 186,470</u>	<u>\$ 257,114</u>
Public Works:				
Public works - vehicles	\$ 442,500	\$ 415,787	\$ 85,257	\$ 330,530
Major tools and equipment - street maintenance	79,000	105,713	105,133	580
Major tools and equipment - traffic signals	98,000	98,000	24,739	73,261
Physical plant expansion - WPBDC building	18,050	30,940	13,040	17,900
Physical plant expansion - warehouse complex	71,390	71,390	69,872	1,518
Total public works	<u>\$ 708,940</u>	<u>\$ 721,830</u>	<u>\$ 298,041</u>	<u>\$ 423,789</u>
Parks, Recreation, and Cultural:				
Parks and recreation:				
Senior services - vehicles	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Total parks, recreation and cultural	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>
Principal retirement	\$ 333,738	\$ 333,738	\$ 333,738	\$ -
Interest and other debt costs	27,611	27,610	27,610	-
Total debt service	<u>\$ 361,349</u>	<u>\$ 361,348</u>	<u>\$ 361,348</u>	<u>\$ -</u>
<b>Total Capital Reserve Fund</b>	<u><u>\$ 1,530,446</u></u>	<u><u>\$ 3,207,860</u></u>	<u><u>\$ 1,795,282</u></u>	<u><u>\$ 1,412,578</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2023 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>Capital Projects Funds: (Continued)</b>				
<b>Meals Tax Fund:</b>				
General Government Administration:				
Meals tax administration	\$ 67,278	\$ 67,278	\$ 67,278	\$ -
Debt service:				
Principal retirement	\$ 777,465	\$ 777,465	\$ 777,465	\$ -
Interest and other debt costs	427,179	427,179	427,179	-
Total debt service	\$ 1,204,644	\$ 1,204,644	\$ 1,204,644	\$ -
<b>Total Meals Tax Fund</b>	<b>\$ 1,271,922</b>	<b>\$ 1,271,922</b>	<b>\$ 1,271,922</b>	<b>\$ -</b>
<b>Total Capital Projects Funds</b>	<b>\$ 2,802,368</b>	<b>\$ 4,479,782</b>	<b>\$ 3,067,204</b>	<b>\$ 1,412,578</b>
<b>Total Expenditures - Primary Government</b>	<b>\$ 42,754,450</b>	<b>\$ 46,471,381</b>	<b>\$ 43,472,050</b>	<b>\$ 2,999,331</b>
<b>Component Unit - School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction	\$ 18,125,555	\$ 18,565,977	\$ 16,979,233	\$ 1,586,744
Administration, attendance and health	3,907,045	3,907,045	3,768,319	138,726
Pupil transportation	1,304,397	1,304,397	1,187,909	116,488
Operation and maintenance of school plant	4,215,400	4,415,400	3,870,160	545,240
Technology	1,965,727	1,969,041	1,890,631	78,410
Total operating costs	\$ 29,518,124	\$ 30,161,860	\$ 27,696,252	\$ 2,465,608
Total School Operating Fund	\$ 29,518,124	\$ 30,161,860	\$ 27,696,252	\$ 2,465,608
<b>School Cafeteria Fund:</b>				
Education:				
School food services	\$ 2,293,640	\$ 2,293,640	\$ 2,027,474	\$ 266,166
<b>School Grants Fund:</b>				
Education:				
Instruction costs	\$ 2,219,923	\$ 2,219,923	\$ 2,180,396	\$ 39,527
<b>School Activity Fund:</b>				
Education:				
Instruction costs	\$ -	\$ -	\$ 357,555	\$ (357,555)
<b>Total Expenditures - Component Unit - School Board</b>	<b>\$ 34,031,687</b>	<b>\$ 34,675,423</b>	<b>\$ 32,261,677</b>	<b>\$ 2,413,746</b>

Pledged Revenue Coverage - Water and Sewer Revenue Bonds  
For the Years Ended June 30, 2018 through June 30, 2023

Fiscal Year	Gross Revenue (1)	Less Operating Expenses (2)	Net Revenues Available For Debt Service	Debt Service		Coverage
				Principal	Interest	
2023	\$ 8,535,973	\$ 5,832,980	\$ 2,702,993	\$ 730,742	\$ -	370%
2022	8,192,898	5,549,516	2,643,382	682,359	-	387%
2021	8,387,678	6,032,903	2,354,775	634,336	-	371%
2020	8,268,755	5,554,602	2,714,153	634,336	-	428%
2019	7,874,781	5,344,145	2,530,636	495,740	-	510%
2018	7,794,909	4,815,388	2,979,521	178,571	-	1669%

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

(2) Net of depreciation expense.

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

## STATISTICAL INFORMATION

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



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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
Net investment in capital assets	\$ 9,025,281	\$ 8,309,912	\$ 10,250,210	\$ 10,624,972	\$ 10,317,087	\$ 10,741,090	9,567,363	\$ 9,375,841	\$ 9,218,432	\$ 10,651,069
Unrestricted	<u>11,321,289</u>	<u>(4,717,533)</u>	<u>(5,823,340)</u>	<u>(7,197,367)</u>	<u>(9,652,267)</u>	<u>(9,136,286)</u>	<u>(8,626,444)</u>	<u>(8,510,553)</u>	<u>(8,128,912)</u>	<u>(4,329,565)</u>
Total governmental activities net position	<u>\$ 20,346,570</u>	<u>\$ 3,592,379</u>	<u>\$ 4,426,870</u>	<u>\$ 3,427,605</u>	<u>\$ 664,820</u>	<u>\$ 1,604,804</u>	<u>940,919</u>	<u>\$ 865,288</u>	<u>\$ 1,089,520</u>	<u>\$ 6,321,504</u>
Business-type activities:										
Net investment in capital assets	\$ 17,998,885	\$ 18,933,157	\$ 20,792,962	\$ 20,155,003	\$ 21,620,820	\$ 24,696,125	25,296,901	\$ 26,753,935	\$ 26,842,796	\$ 29,124,441
Unrestricted	<u>9,385,092</u>	<u>6,106,918</u>	<u>4,335,678</u>	<u>9,186,299</u>	<u>6,855,519</u>	<u>6,529,974</u>	<u>7,979,888</u>	<u>8,228,683</u>	<u>6,170,627</u>	<u>5,996,428</u>
Total business-type activities net position	<u>\$ 27,383,977</u>	<u>\$ 25,040,075</u>	<u>\$ 25,128,640</u>	<u>\$ 29,341,302</u>	<u>\$ 28,476,339</u>	<u>\$ 31,226,099</u>	<u>33,276,789</u>	<u>\$ 34,982,618</u>	<u>\$ 33,013,423</u>	<u>\$ 35,120,869</u>
Primary government										
Net investment in capital assets	\$ 27,024,166	\$ 27,243,069	\$ 31,043,172	\$ 30,779,975	\$ 31,937,907	\$ 35,437,215	34,864,264	\$ 36,129,776	\$ 36,061,228	\$ 39,775,510
Unrestricted	<u>20,706,381</u>	<u>1,389,385</u>	<u>(1,487,662)</u>	<u>1,988,932</u>	<u>(2,796,748)</u>	<u>(2,606,312)</u>	<u>(646,556)</u>	<u>(281,870)</u>	<u>(1,958,285)</u>	<u>1,666,863</u>
Total primary government	<u>\$ 47,730,547</u>	<u>\$ 28,632,454</u>	<u>\$ 29,555,510</u>	<u>\$ 32,768,907</u>	<u>\$ 29,141,159</u>	<u>\$ 32,830,903</u>	<u>34,217,708</u>	<u>\$ 35,847,906</u>	<u>\$ 34,102,943</u>	<u>\$ 41,442,373</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)

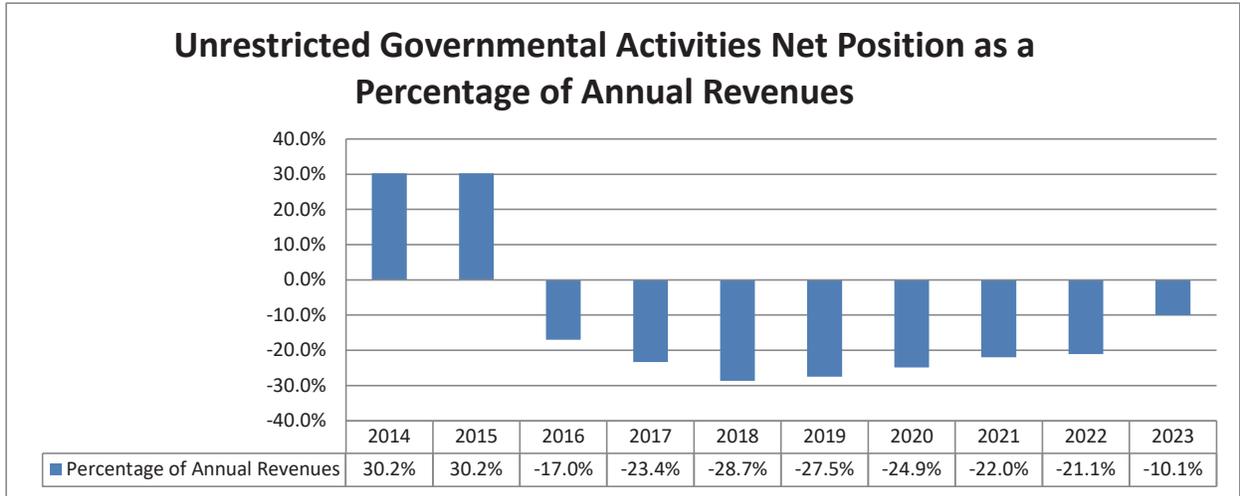
	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Expenses:</b>										
Governmental activities:										
General government administration	\$ 3,652,928	\$ 3,800,766	\$ 4,612,205	\$ 3,245,979	\$ 3,201,860	\$ 3,431,098	\$ 4,618,016	\$ 4,682,408	\$ 6,235,576	\$ 5,194,243
Judicial administration	2,165,263	2,096,773	2,250,373	2,322,293	2,314,974	2,262,276	2,641,457	2,762,578	2,767,408	2,706,080
Public safety	9,418,417	9,176,453	9,837,593	9,805,711	9,902,833	9,801,973	11,826,946	12,944,151	12,894,682	13,073,788
Public works	4,265,599	3,456,455	4,246,016	3,659,946	4,926,615	3,545,037	4,354,892	5,353,609	3,942,681	4,698,354
Health and welfare	679,779	674,858	770,780	859,053	960,166	1,114,250	1,227,588	1,469,097	1,625,251	1,795,566
Education	6,876,345	7,794,188	7,091,099	7,401,665	7,305,996	7,296,370	6,282,794	5,381,040	6,220,948	5,182,631
Parks, recreation, and cultural	1,044,516	930,080	941,835	923,286	883,520	855,335	955,956	935,267	990,529	855,227
Community development	5,390,512	4,958,922	3,373,272	3,381,324	3,231,968	3,073,604	3,282,279	5,332,000	3,478,652	4,208,581
Interest and other fiscal charges	688,152	616,888	216,619	184,109	153,162	126,708	133,477	103,981	89,952	75,373
<b>Total governmental activities expenses</b>	<b>\$ 34,181,511</b>	<b>\$ 33,505,383</b>	<b>\$ 33,339,792</b>	<b>\$ 31,783,366</b>	<b>\$ 32,881,094</b>	<b>\$ 31,506,651</b>	<b>\$ 35,323,405</b>	<b>\$ 38,964,131</b>	<b>\$ 38,245,679</b>	<b>\$ 37,789,843</b>
Business-type activities:										
Electric	\$ 16,329,938	\$ 15,552,584	\$ 16,266,023	\$ 16,860,239	\$ 18,842,419	\$ 18,277,367	\$ 17,444,975	\$ 17,591,291	\$ 20,597,013	\$ 19,557,213
Water	1,744,194	1,576,999	1,817,456	1,979,099	1,998,279	2,199,820	2,359,706	2,647,895	2,559,635	2,566,198
Sewer	3,107,701	3,063,555	3,104,212	3,279,987	3,352,971	4,011,522	4,202,694	4,469,997	4,141,061	4,516,026
Refuse collection / landfill	1,490,749	1,454,477	1,586,815	1,765,041	1,792,739	1,956,974	1,959,383	1,883,910	1,997,015	2,005,597
<b>Total business-type activities expenses</b>	<b>\$ 22,672,582</b>	<b>\$ 21,647,615</b>	<b>\$ 22,774,506</b>	<b>\$ 23,884,366</b>	<b>\$ 25,986,408</b>	<b>\$ 26,445,683</b>	<b>\$ 25,966,758</b>	<b>\$ 26,593,093</b>	<b>\$ 29,294,724</b>	<b>\$ 28,645,034</b>
<b>Total primary government expenses</b>	<b>\$ 56,854,093</b>	<b>\$ 55,152,998</b>	<b>\$ 56,114,298</b>	<b>\$ 55,667,732</b>	<b>\$ 58,867,502</b>	<b>\$ 57,952,334</b>	<b>\$ 61,290,163</b>	<b>\$ 65,557,224</b>	<b>\$ 67,540,403</b>	<b>\$ 66,434,877</b>
<b>Program revenues:</b>										
Governmental activities:										
Charges for services:										
General government administration	\$ 27,323	\$ 71,257	\$ 58,315	\$ 54,221	\$ 54,132	\$ 52,714	\$ 25,092	\$ 24,179	\$ 52,987	\$ 55,049
Judicial administration	177,396	220,001	170,680	199,722	216,855	209,082	139,760	140,128	132,617	148,516
Public safety	502,374	556,608	533,667	557,825	570,985	638,338	773,151	673,967	754,526	850,784
Public works	24,000	367,457	1,239,954	1,327,920	1,483,813	1,572,827	1,656,197	1,558,169	1,629,025	1,636,214
Parks, recreation, and cultural	224,677	13,847	10,735	12,162	12,589	3,825	2,241	-	-	-
Operating grants and contributions:										
General government administration	310,483	230,355	228,325	218,070	230,181	233,651	277,684	505,481	1,400,975	948,759
Judicial administration	738,874	766,853	789,944	793,561	808,053	828,856	841,540	847,081	891,637	894,408
Public safety	3,229,434	3,192,089	3,366,678	3,600,720	3,446,573	3,415,292	3,497,408	4,780,825	4,140,591	5,701,391
Public works	3,183,251	3,139,103	3,220,499	3,267,296	3,628,653	3,400,619	3,494,529	3,844,187	3,825,406	4,401,127
Health and welfare	106,284	107,481	171,032	201,601	241,134	373,462	385,528	639,624	764,404	1,656,429
Parks, recreation, and cultural	34,111	27,393	31,257	43,729	34,468	32,786	30,259	63,054	87,932	43,771
Community development	3,566,872	1,840,583	884,321	474,766	184,155	43,759	125,876	686,735	64,518	2,281,340
Capital grants and contributions	1,900,918	1,099,371	2,641	199,426	327,400	755,137	1,199,002	2,221,585	179,625	1,609,727
<b>Total governmental activities program revenues</b>	<b>\$ 14,025,997</b>	<b>\$ 11,632,398</b>	<b>\$ 10,708,048</b>	<b>\$ 10,951,019</b>	<b>\$ 11,238,991</b>	<b>\$ 11,560,348</b>	<b>\$ 12,448,267</b>	<b>\$ 15,985,015</b>	<b>\$ 13,924,243</b>	<b>\$ 20,227,515</b>

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Business-type activities:</b>										
Charges for services:										
Electric	\$ 17,196,837	\$ 17,630,862	\$ 17,770,846	\$ 18,680,678	\$ 18,787,334	\$ 19,245,478	\$ 19,251,609	\$ 19,232,456	\$ 19,242,484	\$ 19,678,564
Water	3,268,689	3,301,837	3,284,234	3,602,775	3,497,724	3,537,366	3,565,780	3,487,960	3,555,725	3,680,789
Sewer	3,840,429	3,929,737	4,226,823	4,255,883	4,269,547	4,314,029	4,675,337	4,675,061	4,362,696	4,601,211
Refuse collection / landfill	2,080,731	2,199,089	2,232,517	2,280,710	2,237,742	2,244,328	2,434,359	1,713,245	1,739,784	1,950,053
Capital grants and contributions	15,894	-	-	-	-	1,000,000	-	522,011	57,989	-
Total business-type activities program revenues	\$ 26,402,580	\$ 27,061,525	\$ 27,514,420	\$ 28,820,046	\$ 28,792,347	\$ 30,341,201	\$ 29,927,085	\$ 29,630,733	\$ 28,958,678	\$ 29,910,617
Total primary government program revenues	\$ 38,034,978	\$ 37,769,573	\$ 38,465,439	\$ 39,771,065	\$ 40,031,338	\$ 41,901,549	\$ 42,375,352	\$ 45,615,748	\$ 42,882,921	\$ 50,138,132
<b>Net (expense) / revenue</b>										
Governmental activities	\$ (21,872,985)	\$ (22,631,744)	\$ (20,832,347)	\$ (20,832,347)	\$ (21,642,103)	\$ (19,946,303)	\$ (22,875,138)	\$ (22,979,116)	\$ (24,321,436)	\$ (17,562,328)
Business-type activities	4,754,965	4,287,019	3,630,054	4,935,680	2,805,939	3,895,518	3,960,327	3,037,640	(336,046)	1,265,583
Total primary government net expense	\$ (17,118,020)	\$ (18,344,725)	\$ (17,202,293)	\$ (15,896,667)	\$ (18,836,164)	\$ (16,050,785)	\$ (18,914,811)	\$ (19,941,476)	\$ (24,657,482)	\$ (16,296,745)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
General property taxes	\$ 9,063,889	\$ 8,984,049	\$ 8,949,568	\$ 9,072,495	\$ 8,964,713	\$ 9,728,127	\$ 9,591,164	\$ 9,448,108	\$ 9,681,294	\$ 10,432,820
Local sales and use taxes	2,017,806	1,921,102	2,033,632	2,046,701	1,968,475	2,039,498	2,075,778	2,346,936	2,765,851	2,495,785
Consumer utility taxes	669,664	678,862	654,989	640,608	656,804	606,852	566,901	568,104	585,152	2,231,478
Business license taxes	1,807,604	1,607,168	1,715,637	1,770,305	1,984,863	1,957,688	1,908,324	1,943,342	2,157,701	2,754,823
Meals tax	1,583,889	1,665,418	1,717,249	1,738,415	1,804,893	1,909,213	1,960,507	2,163,683	2,340,491	575,551
Other local taxes	838,603	895,763	884,145	925,346	961,884	1,041,265	929,801	1,071,966	1,170,046	1,121,170
Grants and contributions not restricted to specific programs	1,634,436	1,629,988	1,622,427	1,605,957	1,577,765	1,526,595	1,883,750	1,436,736	1,403,996	1,387,358
Unrestricted revenues from use of money and property	925,705	649,438	958,834	1,024,325	1,225,674	1,326,137	1,195,720	1,198,865	1,207,421	1,170,396
Miscellaneous	403,029	243,521	249,786	258,851	349,751	361,768	551,813	544,762	1,092,028	624,931
Transfers	4,507,601	3,946,547	4,679,968	750,079	2,891,539	1,169,144	1,547,495	2,000,000	2,141,688	-
Total governmental activities	\$ 23,452,226	\$ 22,221,856	\$ 23,466,235	\$ 19,833,082	\$ 22,386,361	\$ 21,666,287	\$ 22,211,253	\$ 22,722,502	\$ 24,545,668	\$ 22,794,312
Business-type activities:										
Transfers	\$ (4,507,601)	\$ (3,946,547)	\$ (4,679,968)	\$ (750,079)	\$ (2,891,539)	\$ (1,169,144)	\$ (1,547,495)	\$ (2,000,000)	\$ (2,141,688)	\$ -
Unrestricted revenues from use of money and property	25,930	23,386	28,619	27,061	27,638	23,386	27,638	25,512	25,512	23,386
Miscellaneous	-	-	-	-	15,195	-	-	642,677	483,027	818,477
Loss on asset disposal	-	-	-	-	-	-	(389,780)	-	-	-
Total business-type activities	\$ (4,481,671)	\$ (3,923,161)	\$ (4,651,349)	\$ (723,018)	\$ (2,848,706)	\$ (1,145,758)	\$ (1,909,637)	\$ (1,331,811)	\$ (1,633,149)	\$ 841,863
Total primary government	\$ 18,970,555	\$ 18,298,695	\$ 18,814,886	\$ 19,110,064	\$ 19,537,655	\$ 20,520,529	\$ 20,301,616	\$ 21,390,691	\$ 22,912,519	\$ 23,636,175
<b>Change in Net Position</b>										
Governmental activities	\$ 1,579,241	\$ (409,888)	\$ 2,633,888	\$ (999,265)	\$ 744,258	\$ 1,719,984	\$ (663,885)	\$ (256,614)	\$ 224,232	\$ 5,231,984
Business-type activities	273,294	363,858	(1,021,295)	4,212,662	(42,767)	2,749,760	2,050,690	1,705,829	(1,969,195)	2,107,446
Total primary government	\$ 1,852,535	\$ (46,030)	\$ 1,612,593	\$ 3,213,397	\$ 701,491	\$ 4,469,744	\$ 1,386,805	\$ 1,449,215	\$ (1,744,963)	\$ 7,339,430

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

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



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

## Governmental Activities Tax Revenues by Source

Last Ten Fiscal Years

(Accrual Basis of Accounting)

<b>Fiscal Year</b>	<b>General Property Taxes</b>	<b>Local Sales and Use Taxes</b>	<b>Consumer Utility Taxes</b>	<b>Business License Taxes</b>	<b>Meals Taxes</b>	<b>Other Local Taxes</b>	<b>Total</b>
2023	\$ 10,432,820	\$ 2,495,785	\$ 575,551	\$ 2,231,478	\$ 2,754,823	\$ 1,121,170	\$ 19,611,627
2022	9,681,294	2,765,851	585,152	2,157,701	2,340,491	1,170,046	18,700,535
2021	9,448,108	2,346,936	568,104	1,943,342	2,163,683	1,071,966	17,542,139
2020	9,591,164	2,075,778	566,901	1,908,324	1,960,507	929,801	17,032,475
2019	9,728,127	2,039,498	606,852	1,957,688	1,909,213	1,041,265	17,282,643
2018	8,964,713	1,968,475	656,804	1,984,863	1,804,893	961,884	16,341,632
2017	9,072,495	2,046,701	640,608	1,770,305	1,738,415	925,346	16,193,870
2016	8,949,568	2,033,632	654,989	1,715,637	1,717,249	884,145	15,955,220
2015	8,984,049	1,921,102	678,862	1,607,168	1,665,418	895,763	15,752,362
2014	9,063,889	2,017,806	669,664	1,807,604	1,583,889	838,603	15,981,455

**CITY OF MARTINSVILLE, VIRGINIA**

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General fund					
Nonspendable	\$ 993,900	\$ 759,894	\$ 1,123,501	\$ 1,205,350	\$ 1,202,606
Committed	2,043,941	2,267,064	1,218,099	1,820,414	851,339
Assigned	25,000	25,000	25,000	-	-
Unassigned	<u>4,568,620</u>	<u>4,122,660</u>	<u>4,401,718</u>	<u>3,031,355</u>	<u>4,660,378</u>
Total general fund	<u>7,631,461</u>	<u>\$ 7,174,618</u>	<u>\$ 6,768,318</u>	<u>\$ 6,057,119</u>	<u>\$ 6,714,323</u>
All other governmental funds					
Restricted for:					
Capital projects	\$ 190,981	\$ -	\$ -	\$ -	-
Committed, reported in:					
Special revenue funds	395,408	53,123	-	-	-
Assigned, reported in:					
Capital projects funds	1,260,911	1,523,314	1,424,363	798,619	1,165,244
Special revenue funds	-	-	3,381	109,148	50,595
Unassigned, reported in:					
Special revenue funds (deficit)	<u>(23,767)</u>	<u>(53,031)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>1,823,533</u>	<u>\$ 1,523,406</u>	<u>\$ 1,427,744</u>	<u>\$ 907,767</u>	<u>\$ 1,215,839</u>
Total governmental funds	<u>9,454,994</u>	<u>\$ 8,698,024</u>	<u>\$ 8,196,062</u>	<u>\$ 6,964,886</u>	<u>\$ 7,930,162</u>

**Table 5**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$	1,198,249	\$ 1,293,059	\$ 1,463,423	\$ 1,453,499	\$ 1,309,691
	712,456	729,155	755,367	1,054,965	1,261,156
	-	-	-	-	-
	<u>4,331,449</u>	<u>4,938,739</u>	<u>7,574,286</u>	<u>6,286,060</u>	<u>6,430,285</u>
\$	<u>6,242,154</u>	<u>6,960,953</u>	<u>9,793,076</u>	<u>8,794,524</u>	<u>9,001,132</u>
\$	-	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
	534,861	1,501,117	1,406,274	1,944,898	3,525,006
	70,345	90,671	108,674	100,955	124,060
	-	-	-	-	-
\$	<u>605,206</u>	<u>1,591,788</u>	<u>1,514,948</u>	<u>2,045,853</u>	<u>3,649,066</u>
\$	<u>6,847,360</u>	<u>8,552,741</u>	<u>11,308,024</u>	<u>10,840,377</u>	<u>12,650,198</u>

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Fund Balance Summary  
 Year Ended June 30, 2023  
 (Modified accrual basis of accounting)

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

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

	<b>General Fund</b>	<b>City Grants Fund</b>	<b>Capital Reserve Fund</b>	<b>Meals Tax Fund</b>	<b>Total</b>
Nonspendable:					
Inventory	\$ 1,309,691	\$ -	\$ -	\$ -	\$ 1,309,691
Committed to:					
General Gov't Administration	287,170	-	-	-	287,170
Judicial Administration	34,907	-	-	-	34,907
Public Safety	836,421	-	-	-	836,421
Public Works	5,669	-	-	-	5,669
Community development	96,989	-	-	-	96,989
Assigned to:					
Capital reserve fund	-	-	1,866,716	-	1,866,716
Special revenue fund	-	124,060	-	-	124,060
Meals tax fund	-	-	-	1,658,290	1,658,290
Unassigned	<u>6,430,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,430,285</u>
Total fund balance	<u>\$ 9,001,132</u>	<u>\$ 124,060</u>	<u>\$ 1,866,716</u>	<u>\$ 1,658,290</u>	<u>\$ 12,650,198</u>

**CITY OF MARTINSVILLE, VIRGINIA**

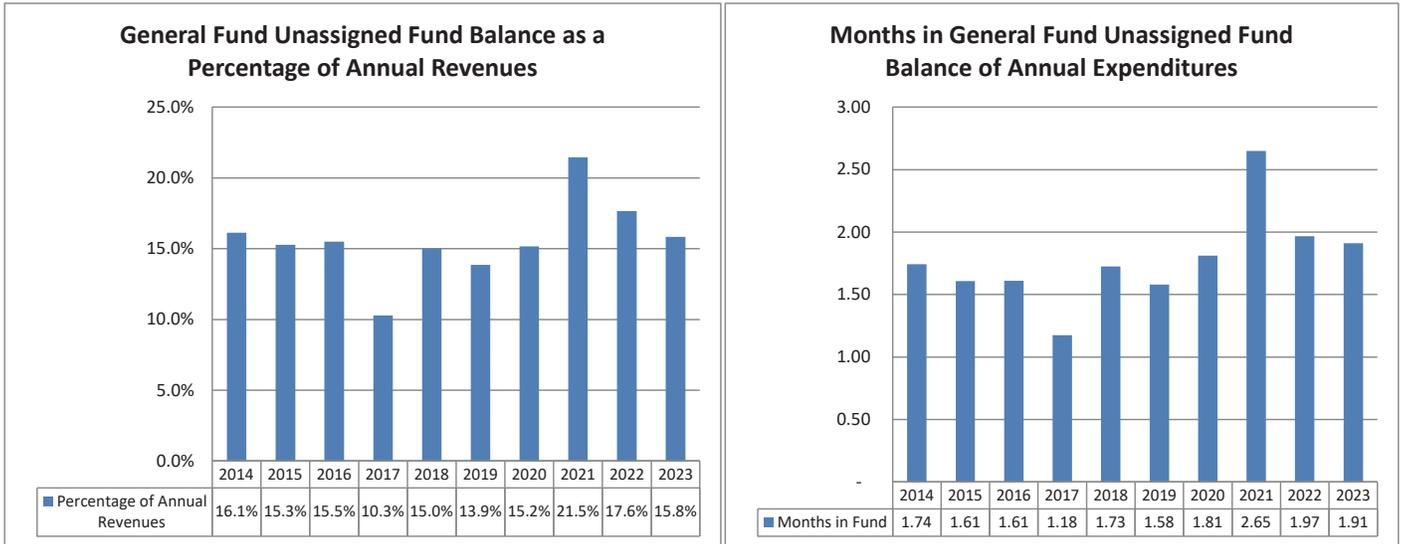
Changes in Fund Balances of Governmental Funds  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Revenues:</b>				
General property taxes	\$ 8,683,569	\$ 9,083,158	\$ 8,745,402	\$ 8,877,122
Other local taxes	6,917,566	6,768,313	7,005,652	7,121,375
Permits, privilege fees and regulatory licenses	83,931	94,162	100,068	93,979
Fines and forfeitures	126,049	174,262	109,396	140,171
Revenue from use of money and property	925,705	649,438	958,834	1,144,249
Charges for services	745,790	960,746	1,803,887	1,917,701
Miscellaneous	403,029	243,521	249,786	258,852
Recovered costs	1,041,507	1,490,324	1,735,766	2,108,095
<b>Intergovernmental:</b>				
Commonwealth	9,150,812	9,827,014	9,746,076	9,231,666
Federal	5,553,851	2,206,202	939,421	1,541,438
<b>Total revenues</b>	<b>\$ 33,631,809</b>	<b>\$ 31,497,140</b>	<b>\$ 31,394,288</b>	<b>\$ 32,434,648</b>
<b>Expenditures:</b>				
General government administration	\$ 4,284,558	\$ 4,633,537	\$ 6,277,216	\$ 4,042,520
Judicial administration	2,164,763	2,144,310	2,319,579	2,293,175
Public safety	9,845,689	9,712,097	10,320,222	10,131,848
Public works	6,098,946	4,403,469	4,639,584	4,775,364
Health and welfare	720,419	725,947	812,079	874,554
Education	7,341,781	6,587,543	5,957,670	6,267,041
Parks, recreation, and cultural	1,027,633	1,185,463	927,402	861,036
Community development	5,035,599	4,932,864	3,447,169	3,293,876
<b>Debt service:</b>				
Principal retirement	2,913,705	1,243,918	1,271,763	1,305,581
Interest and other fiscal charges	722,325	631,509	603,532	570,908
<b>Total expenditures</b>	<b>\$ 40,155,418</b>	<b>\$ 36,200,657</b>	<b>\$ 36,576,216</b>	<b>\$ 34,415,903</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (6,523,609)</b>	<b>\$ (4,703,517)</b>	<b>\$ (5,181,928)</b>	<b>\$ (1,981,255)</b>
<b>Other financing sources (uses):</b>				
Issuance of debt	1,752,000	-	-	-
Capital lease proceeds	-	-	-	-
Insurance recoveries	-	-	-	-
Transfers in	5,357,541	4,440,920	5,191,579	1,845,097
Transfers (out)	(849,940)	(494,373)	(511,611)	(1,095,018)
<b>Total other financing sources (uses)</b>	<b>\$ 6,259,601</b>	<b>\$ 3,946,547</b>	<b>\$ 4,679,968</b>	<b>\$ 750,079</b>
<b>Net changes in fund balances</b>	<b>\$ (264,008)</b>	<b>\$ (756,970)</b>	<b>\$ (501,960)</b>	<b>\$ (1,231,176)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>10.02%</b>	<b>5.32%</b>	<b>5.27%</b>	<b>5.61%</b>

Table 7

	2018	2019	2020	2021	2022	2023
\$	9,180,279	\$ 9,136,565	\$ 9,335,603	\$ 9,762,106	\$ 9,941,727	\$ 9,862,327
	7,376,919	7,554,516	7,441,311	8,094,031	9,019,241	9,178,807
	56,503	93,318	109,659	82,265	93,850	65,904
	170,759	139,591	99,924	92,397	86,287	92,088
	1,225,674	1,332,679	1,206,581	1,198,865	1,207,421	1,170,396
	2,111,112	2,243,877	2,386,857	2,221,781	2,389,019	2,532,571
	349,751	361,768	551,813	544,762	533,807	716,786
	2,173,575	2,108,652	2,312,618	2,312,178	1,980,275	2,365,961
	9,825,527	10,014,169	10,510,007	11,563,521	10,355,671	12,665,724
	1,022,020	966,733	1,598,952	3,834,510	2,776,133	6,631,307
\$	<u>33,492,119</u>	<u>\$ 33,951,868</u>	<u>\$ 35,553,325</u>	<u>\$ 39,706,416</u>	<u>\$ 38,383,431</u>	<u>\$ 45,281,871</u>
\$	4,019,965	\$ 4,585,789	\$ 5,190,992	\$ 5,221,495	\$ 7,238,190	\$ 6,617,454
	2,332,335	2,401,821	2,513,322	2,572,521	2,810,364	2,823,022
	9,992,439	11,170,618	11,375,251	12,261,058	13,116,930	13,602,920
	5,997,499	4,951,335	5,472,305	5,928,325	4,817,861	5,918,156
	993,510	1,229,160	1,186,193	1,381,590	1,659,407	1,901,735
	6,170,116	6,164,347	5,157,042	4,109,180	4,959,911	4,256,525
	837,001	852,802	855,004	851,159	1,017,070	917,257
	3,199,403	3,240,807	3,064,544	4,920,270	3,486,559	5,868,989
	1,338,158	1,265,724	1,290,239	1,389,689	1,419,207	1,111,203
	537,956	512,608	505,045	496,826	467,267	454,789
\$	<u>35,418,382</u>	<u>\$ 36,375,011</u>	<u>\$ 36,609,937</u>	<u>\$ 39,132,113</u>	<u>\$ 40,992,766</u>	<u>\$ 43,472,050</u>
\$	<u>(1,926,263)</u>	<u>\$ (2,423,143)</u>	<u>\$ (1,056,612)</u>	<u>\$ 574,303</u>	<u>\$ (2,609,335)</u>	<u>\$ 1,809,821</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	1,214,500	-	-	-
	-	171,197	-	-	-	-
	3,479,752	1,935,368	2,639,171	2,852,648	3,439,242	1,450,799
	(588,213)	(766,224)	(1,091,676)	(852,648)	(1,297,554)	(1,450,799)
\$	<u>2,891,539</u>	<u>\$ 1,340,341</u>	<u>\$ 2,761,995</u>	<u>\$ 2,000,000</u>	<u>\$ 2,141,688</u>	<u>\$ -</u>
\$	<u>965,276</u>	<u>\$ (1,082,802)</u>	<u>\$ 1,705,383</u>	<u>\$ 2,574,303</u>	<u>\$ (467,647)</u>	<u>\$ 1,809,821</u>
	<u>5.43%</u>	<u>5.11%</u>	<u>5.18%</u>	<u>5.03%</u>	<u>4.80%</u>	<u>3.76%</u>

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

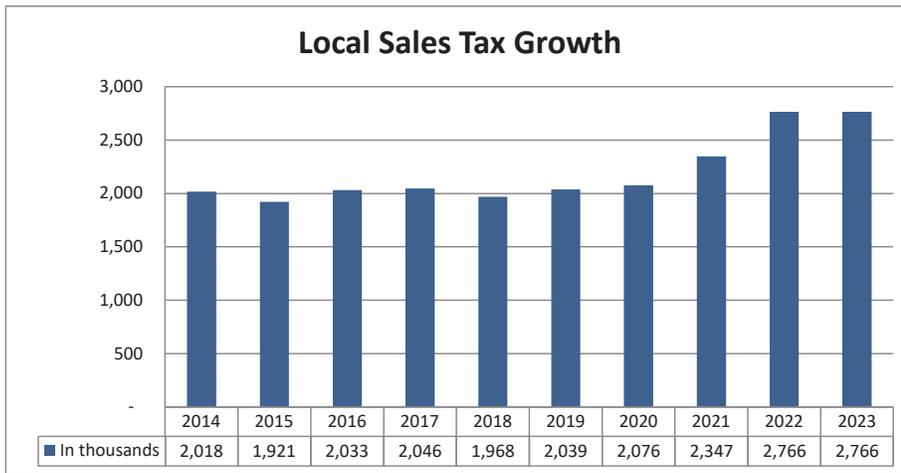


The level of unassigned fund balance is an indication of the amount of unexpended, unencumbered and available resources the government has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls, or other unexpected needs.

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

<b>Fiscal Year</b>	<b>General Property Taxes</b>	<b>Local Sales and Use Taxes</b>	<b>Consumer Utility Taxes</b>	<b>Business License Taxes</b>	<b>Meals Taxes</b>	<b>Communications Taxes</b>	<b>Other Local Taxes</b>	<b>Total</b>
2023	\$ 9,862,327	\$ 2,495,785	\$ 575,551	\$ 2,231,478	\$ 2,754,823	\$ 631,884	\$ 1,121,170	\$ 19,673,018
2022	9,941,727	2,765,851	585,152	2,157,701	2,340,491	648,446	1,170,046	19,609,414
2021	9,762,106	2,346,936	568,104	1,943,342	2,163,683	681,836	1,071,966	18,537,973
2020	9,335,603	2,075,778	566,901	1,908,324	1,960,507	750,186	929,801	17,527,100
2019	9,136,565	2,039,498	606,852	1,957,688	1,909,213	778,932	1,041,265	17,470,013
2018	9,180,279	1,968,475	656,804	1,984,863	1,804,893	833,760	961,884	17,390,958
2017	8,877,122	2,046,701	640,608	1,770,305	1,738,415	859,331	925,346	16,857,828
2016	8,745,402	2,033,632	654,989	1,715,637	1,717,249	880,952	884,145	16,632,006
2015	9,083,158	1,921,102	678,862	1,607,168	1,665,418	911,387	895,763	16,762,858
2014	8,683,569	2,017,806	669,664	1,807,604	1,583,889	912,783	838,603	16,513,918

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, 2023, the City experienced a decrease in sales tax collections of approximately \$270,066 or 13.01%.

Utility Analysis of Unrestricted Net Position  
 At June 30, 2023

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Collection/ Landfill Fund</u>	<u>Total</u>
Net Position at June 30, 2023	\$ 17,650,367	\$ 10,439,336	\$ 5,706,528	\$ 1,324,638	\$ 35,120,869
Less capital assets	(18,543,136)	(10,789,639)	(19,994,050)	(1,815,049)	(51,141,874)
Add current portion of long-term obligations	317,816	317,224	640,952	46,263	1,322,255
Add noncurrent portion of long-term obligations	4,202,022	4,622,696	15,577,473	3,294,733	27,696,924
Less compensated absences	(98,164)	(63,354)	(66,160)	(22,625)	(250,303)
Less net pension liability	(1,086,013)	(740,412)	(1,315,882)	(396,844)	(3,539,151)
Less net group life insurance OPEB liability	(40,732)	(31,397)	(55,862)	(15,050)	(143,041)
Less net Pay-as-you-Go OPEB liability	(168,929)	(119,187)	(208,658)	(60,401)	(557,175)
Less landfill closure and post-closure costs	-	-	-	(2,512,076)	(2,512,076)
Unrestricted Net Position at June 30, 2023	<u>\$ 2,233,231</u>	<u>\$ 3,635,267</u>	<u>\$ 284,341</u>	<u>\$ (156,411)</u>	<u>\$ 5,996,428</u>

**CITY OF MARTINSVILLE, VIRGINIA**

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

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<b>Fiscal Year(1)</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Public Service Real Estate</b>	<b>Public Service Pers Prop</b>	<b>Total</b>
2023	\$ 651,746,786	\$ 138,411,104	\$ 7,986,149	\$ 22,212,329	\$ 283,985	\$ 820,640,353
2022	649,822,186	106,101,631	7,249,876	28,548,649	367,533	792,089,875
2021	639,698,900	119,086,342	6,727,040	25,767,607	388,462	791,668,351
2020	638,496,000	114,103,654	6,678,102	25,997,604	485,196	785,760,556
2019	631,445,800	111,703,797	6,702,953	24,296,670	571,227	774,720,447
2018	630,238,700	108,990,284	6,764,153	21,839,490	585,532	768,418,159
2017	639,432,100	104,500,889	5,684,864	22,387,747	565,832	772,571,432
2016	637,317,000	96,930,746	8,947,408	24,215,061	475,737	767,885,952
2015	640,608,600	93,920,412	9,236,280	23,076,423	294,246	767,135,961
2014	641,502,458	99,431,367	8,222,283	22,511,294	623,124	772,290,526

(1) 100% fair market value.

Source: Commissioner of the Revenue

Table 12

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

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Property Tax Levies and Collections  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Total (1) Tax Levy</b>	<b>Current Tax (1) Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent (1) Tax (2) Collections</b>	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collections to Tax Levy</b>	<b>Outstanding Delinquent Taxes (1)</b>	<b>Percent of Delinquent Taxes to Tax Levy</b>
2023	\$ 10,418,148	\$ 8,859,886	85.04%	\$ 641,384	\$ 9,501,270	91.20%	\$ 2,265,020	21.74%
2022	9,695,951	9,053,769	93.38%	567,984	9,621,753	99.23%	1,931,199	19.92%
2021	9,984,210	8,701,968	87.16%	696,297	9,398,265	94.13%	1,888,557	18.92%
2020	9,864,021	8,316,022	84.31%	746,057	9,062,079	91.87%	2,241,958	22.73%
2019	9,713,056	8,301,079	85.46%	602,847	8,903,926	91.67%	2,241,958	23.08%
2018	9,615,111	8,846,029	92.00%	587,029	9,433,058	98.11%	1,274,200	13.25%
2017	9,596,296	8,834,417	92.06%	513,318	9,347,735	97.41%	1,381,163	14.39%
2016	9,465,270	8,763,769	92.59%	392,885	9,156,654	96.74%	1,314,580	13.89%
2015	9,424,583	8,873,795	94.16%	547,335	9,421,130	99.96%	1,084,664	11.51%
2014	9,329,806	8,683,981	93.08%	426,107	9,110,088	97.64%	1,208,189	12.95%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

**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	VPASA Bonds	Capital Financing Activities
2023	\$ 384,700	\$ -	\$ -	\$ 5,945,646	\$ 503,583
2022	474,500	-	-	6,723,111	747,521
2021	561,900	-	-	7,816,070	986,369
2020	647,000	-	375,000	8,517,528	1,214,500
2019	1,033,800	-	750,000	9,045,967	-
2018	1,412,400	-	1,125,000	9,558,091	-
2017	1,786,800	-	1,500,000	10,051,894	94,955
2016	2,153,100	-	2,125,000	10,272,721	188,409
2015	2,509,400	-	2,750,000	10,471,207	280,386
2014	2,863,700	340,000	3,375,000	10,645,303	370,909

n/a - not available at publication

Table 14

<b>Business-type Activities</b>					<b>Net</b>
<b>General</b>		<b>Capital</b>		<b>Total</b>	<b>Bonded</b>
<b>Obligation</b>	<b>Revenue</b>	<b>Financing</b>		<b>Primary</b>	<b>Debt per</b>
<b>Bonds</b>	<b>Bonds</b>	<b>Activities</b>		<b>Government</b>	<b>Capita</b>
\$ 334,000	\$ 16,927,433	\$ 4,756,000	\$ 28,851,362	\$ 1,719	
377,000	17,658,175	5,271,000	31,251,307	1,871	
418,000	17,366,870	5,775,000	32,924,209	2,084	
557,000	16,474,870	6,220,000	34,005,898	2,117	
712,000	16,805,680	6,636,000	34,983,447	2,112	
863,000	12,810,146	7,044,000	32,812,637	1,885	
1,011,000	7,066,376	7,425,000	28,936,025	1,630	
1,155,000	3,242,399	7,425,000	26,561,629	1,947	
1,444,900	-	-	17,455,893	1,288	
1,880,000	-	-	19,474,912	1,400	

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

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Assessed Value (in thousands) (2)</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value</b>	<b>Net Bonded Debt per Capita</b>
2023	13,725 \$	820,640,353 \$	23,591,779	2.87% \$	1,719
2022	13,485	792,089,875	25,232,786	3.19%	1,871
2021	12,554	791,668,351	26,162,840	3.30%	2,084
2020	12,554	785,760,556	26,571,398	3.38%	2,117
2019	13,422	774,720,447	28,347,447	3.66%	2,112
2018	13,670	768,418,159	25,768,637	3.35%	1,885
2017	13,142	772,571,432	21,416,070	2.77%	1,630
2016	13,544	767,885,952	18,948,220	2.47%	1,389
2015	13,552	767,135,961	17,175,507	2.24%	1,267
2014	13,583	772,290,526	19,104,003	2.47%	1,374

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, 2023

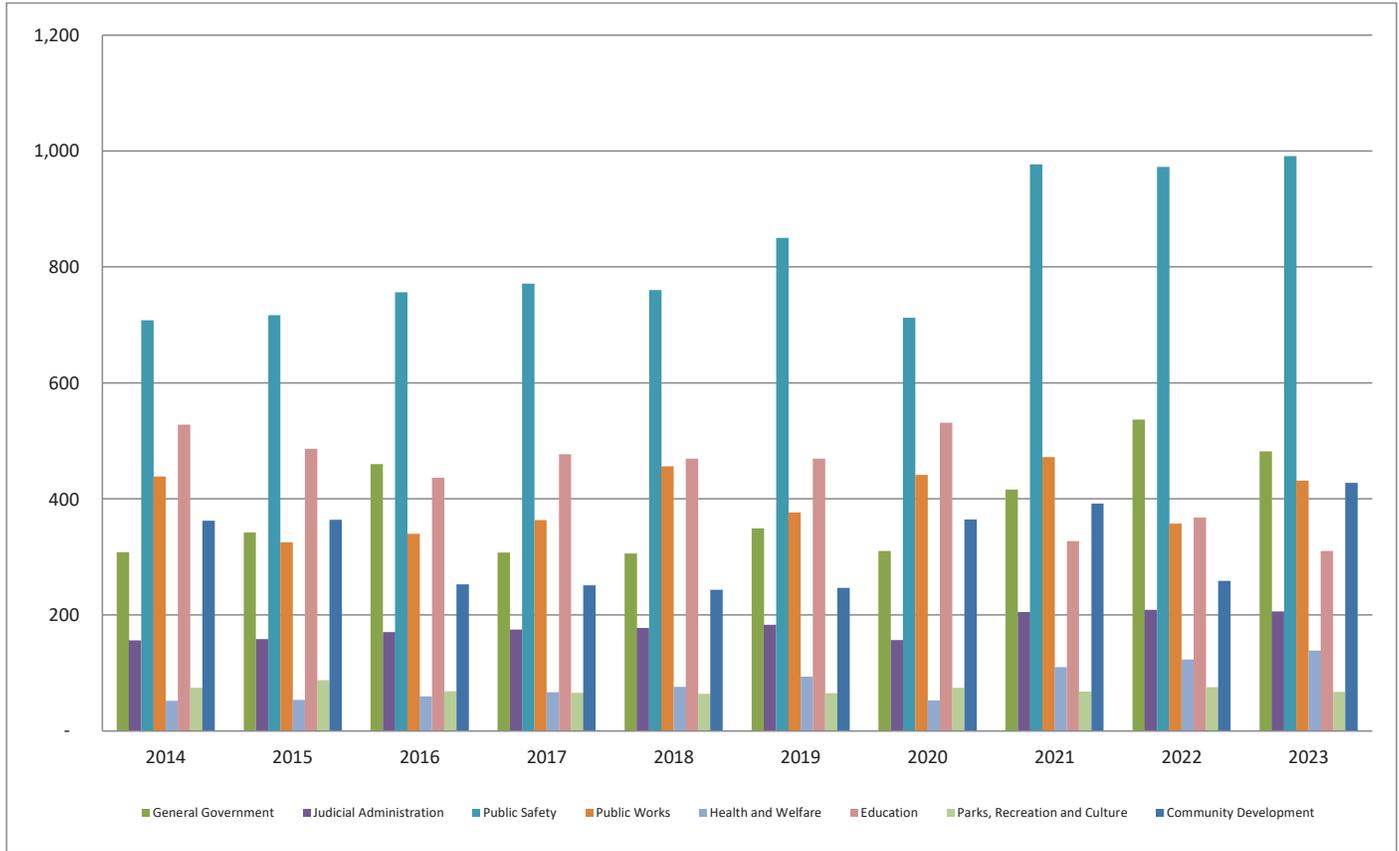
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Direct:(1)

City of Martinsville	\$	23,591,779	100%	\$	23,591,779
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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

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>City Per Capita Income (2)</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>	<b>Personal Income In Thousands (5)</b>
2023	13,725	\$ 47,455	1,810	4.60%	n/a
2022	13,485	46,758	1,881	4.90%	3,019,634
2021	13,485	43,380	1,876	8.30%	2,905,682
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

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) Virginia Department of Education
- (4) Virginia Employment Commission
- (5) Bureau of Economic Analysis - data for "Henry + Martinsville, VA Micropolitan SA"

**CITY OF MARTINSVILLE, VIRGINIA**

**Table 19**

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

<b>Function</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
General government	24	24	26	22	21	20	20	21	21	21	22
Public safety											
Police department	54	52	50	56	50	51	51	51	51	47	42
Fire department	29	29	29	27	27	27	26	26	26	28	28
Public works											
General maintenance	39	42	40	38	35	37	37	37	37	38	37
Landfill Operation	0	0	0	0	0	0	0	0	0	0	0
Refuse Collection	3	3	3	3	5	5	5	6	6	7	9
Engineering	2	2	3	3	3	1	2	2	2	2	1
Culture and recreation											
Parks and recreation	7	7	7	6	5	6	5	5	5	5	4
Community development											
Planning	3	3	4	2	3	3	1	2	2	2	2
<b>Totals</b>	<b>161</b>	<b>162</b>	<b>162</b>	<b>157</b>	<b>149</b>	<b>150</b>	<b>147</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>145</b>

Source: Individual city departments

CITY OF MARTINSVILLE, VIRGINIA

Table 20

Operating Indicators by Function  
Last Eleven Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2,023
<b>Police Protection</b>											
Number of stations	1	1	1	1	1	1	1	1	1	1	1
Number of police personnel and officers	55	52	51	53	50	51	51	51	51	47	42
Number of law violations:											
Physical arrests	1,580	1,305	1,559	1,394	1,694	2,932	1,994	1,645	1,383	1,234	1,393
Traffic violations	2,430	2,979	3,314	1,772	2,877	3,314	2,786	2,663	2,539	2,324	2,112
<b>Fire Protection</b>											
Number of stations	2	2	2	2	2	2	2	2	2	2	2
Number of fire personnel and officers	45	46	46	42	41	42	40	43	41	42	37
Number of calls answered	2,935	2,870	3,093	3,041	3,024	3,053	3,602	2,965	3,504	4,214	4,458
Number of inspections conducted	2,006	1,101	790	530	659	768	914	826	838	1,342	1,136
Streets (miles)	100	100	100	100	100	100	100	100	100	100	100
Streetlights	3,300	3,300	2,721	2,871	2,695	3,069	3,069	3,069	3,072	3,072	3,072
<b>Recreation &amp; Culture</b>											
Number of parks and recreation facilities	13	13	13	13	13	13	13	13	13	13	13
Number of libraries	1	1	1	1	1	1	1	1	1	1	1
Number of community centers	1	1	1	1	1	1	1	1	1	1	1
<b>Water</b>											
Service Connections (Active)	7,300	7,300	7,300	7,300	7,250	7,250	7,250	7,069	7,069	8,098	7,074
Miles of water mains	120	120	120	120	120	120	120	120	120	120	120
Number of fire hydrants	555	555	555	555	555	555	555	555	555	555	555
Daily average consumption in gallons	1.8 MGD	1.78 MGD	1.95 MGD	1.65 MGD	1.70 MGD	1.35MGD					
Maximum daily capacity of plant in gallons	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD						
<b>Sewer</b>											
Service Connections (Active)	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,535	6,631	7,494	6,541
Miles of sanitary sewers	140	140	140	140	140	140	140	140	140	140	140
Miles of storm sewers	1	1	1	1	1	1	1	1	1	1	1
Number of treatment plants	1	1	1	1	1	1	1	1	1	1	1
Daily average treatment in gallons	4.5 MGD	5.8 MGD	5.4 MGD	5.5 MGD	4.49 MGD	4.71MGD					
Maximum daily capacity of plant in gallons	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD						
<b>Electric Distribution Systems</b>											
Miles of service	100	100	100	100	100	100	100	100	100	100	100
Number of distribution systems	1	1	1	1	1	1	1	1	1	1	1
<b>Facilities and services not included in the primary government</b>											
Number of elementary schools	3	3	3	3	3	3	3	3	3	3	3
Number of middle schools	2	2	2	2	2	2	2	2	2	2	2
Number of secondary schools	1	1	1	1	1	1	1	1	1	1	1
<b>Facilities and services not included in the reporting entity</b>											
Hospitals:											
Number of hospitals	1	1	1	1	1	1	1	1	1	1	1
Number of patient beds	237	220	220	220	220	220	220	220	220	220	220

Source: Individual city departments

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

FY16 down on Volunteers fire personnel

FY23 fire calls answered includes 662 Non-emergency transport calls

CITY OF MARTINSVILLE, VIRGINIA

Table 21

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government										
Administration buildings	6	6	6	6	6	6	6	6	6	6
Vehicles	4	4	4	3	3	4	2	2	4	2
Public safety										
Police department:										
Patrol units	21	23	22	26	27	29	27	30	26	24
Other vehicles	10	13	16	15	17	18	19	16	17	19
Sheriffs department:										
Patrol units	12	12	13	13	13	16	15	15	16	15
Other vehicles	10	10	10	12	12	12	10	10	10	11
Fire department:										
Vehicles	13	12	12	14	14	16	14	14	15	15
Building inspections:										
Vehicles	2	1	1	1	1	1	2	2	2	3
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	64	60	59	59	60	57	60	62	66	66
Refuse:										
Vehicles	10	10	10	9	10	12	14	13	13	13
Sites	1	1	1	1	1	1	1	1	1	1
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	12	13	12	12	12	12	11	11	10	12
Playing Fields	9	9	9	9	9	9	9	9	9	9
Tennis courts	3	3	3	3	3	3	3	3	3	3
Community development										
Planning:										
Vehicles	1	1	1	1	1	1	2	2	2	3
Component Unit - School Board										
Education:										
Schools	5	5	5	5	5	5	5	5	5	5
School buses	28	30	30	31	33	32	31	31	33	32
Other vehicles	23	23	29	25	26	29	27	23	25	27

Source: Individual city departments

Police Dept other vehicles FY16 includes 8 rentals  
 Police Dept other vehicles FY17 includes 8 rentals  
 Police Dept other vehicles FY18 includes 9 rentals  
 Police Dept other vehicles FY19 includes 10 rentals  
 Police Dept other vehicles FY20 includes 11 rentals  
 Police Dept other vehicles FY21 includes 9 rentals  
 Police Dept other vehicles FY22 includes 8 rentals  
 Police Dept other vehicles FY23 includes 13 rentals

## **COMPLIANCE SECTION**





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia as of and for the year ended June 30, 2023, 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 January 11, 2024.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

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

### Purpose of This Report

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

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
January 11, 2024



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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Martinsville, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Martinsville, Virginia's major federal programs for the year ended June 30, 2023. City of Martinsville, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Martinsville, Virginia complied, in all material respects, with 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, 2023.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

## ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

## ***Report on Internal Control over Compliance***

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

**Report on Internal Control over Compliance (Continued)**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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  
January 11, 2024

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Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit For the Year Ended June 30, 2023

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
<b>PRIMARY GOVERNMENT:</b>				
<u>DEPARTMENT OF TRANSPORTATION:</u>				
<u>Pass through payments:</u>				
Highway Safety Cluster:				
Department of Motor Vehicles:				
State and Community Highway Safety	20.600	FSC-2022-52030	\$ 8,515	
National Priority Safety Programs	20.616	FM6OT-2022-52025	6,054	
Total Highway Safety Cluster			<u>14,569</u>	-
Total Department of Transportation			\$ <u>14,569</u>	\$ -
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
<u>Pass through payments:</u>				
Department of Social Services:				
Temporary Assistance for Needy Families (TANF)	93.558	Unknown	\$ 107,958	\$ 107,958
Social Services Block Grant	93.667	Unknown	15,324	-
Department of Education:				
Public Health Emergency Response: Cooperative Agreement for Emergency:				
Public Health Crisis Response	93.354	NU90TP922153	68,100	-
Total Department of Health and Human Services			\$ <u>191,382</u>	\$ <u>107,958</u>
<u>DEPARTMENT OF HOMELAND SECURITY:</u>				
<u>Pass through payments:</u>				
Department of Emergency Management:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	114522, 116792, 118558	\$ 247,949	\$ -
Hazard Mitigation Grant	97.039	114801	16,031	-
Emergency Management Performance Grants	97.042	122463	7,500	-
Homeland Security Grant Program	97.067	120478	98,918	-
Total Department of Homeland Security			\$ <u>370,398</u>	\$ -
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>				
<u>Direct payments:</u>				
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements				
Total Environmental Protection Agency	66.818	N/A	\$ <u>13,052</u>	\$ -
<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	120928	\$ <u>28,475</u>	\$ -
<u>DEPARTMENT OF LABOR:</u>				
<u>Pass through payments:</u>				
Department for Aging and Rehabilitative Services:				
Senior Community Service Employment Program	17.235	Unknown	\$ <u>22,088</u>	\$ -
<u>DEPARTMENT OF JUSTICE:</u>				
<u>Direct payments:</u>				
Bullet Proof Vest Partnership Program	16.607	N/A	\$ 7,588	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	19,552	-
Equitable Sharing Program	16.922	N/A	22,852	-
Regional Information Sharing Systems	16.610	N/A	25,268	-
<u>Pass through payments:</u>				
Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	116418, 118457	73,558	-
Total Department of Justice			\$ <u>148,818</u>	\$ -
<u>DEPARTMENT OF TREASURY:</u>				
<u>Pass through payments:</u>				
Department of Accounts:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	\$ 5,537,094	-
Department of Education:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	APE60054	181,950	-
Total Department of Treasury			\$ <u>5,719,044</u>	\$ -

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit For the Year Ended June 30, 2023 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
<b>COMPONENT UNIT-SCHOOL BOARD:</b>				
<u>DEPARTMENT OF AGRICULTURE:</u>				
<u>Pass through payments:</u>				
Child Nutrition Cluster:				
Virginia Department of Agriculture and Consumer Services: Food Distribution - National School Lunch Program	10.555	Unknown	\$ 139,136	
Virginia Department of Education: National School Lunch Program	10.555	APE41106 & APE40254	<u>1,095,549</u>	\$ 1,234,685
School Breakfast Program	10.553	APE41110 & APE40253		470,566
Summer Food Service Program for Children	10.559	APE60302 & APE60303		<u>68,031</u>
Total Child Nutrition Cluster			\$	1,773,282 \$ -
Virginia Department of Education: Child and Adult Care Food Program	10.558	APE70027		48,693 -
COVID-19 - Pandemic EBT Administrative Costs	10.649	DOE86556		<u>3,135</u> -
Total Department of Agriculture			\$	1,825,110 \$ -
<u>DEPARTMENT OF EDUCATION:</u>				
<u>Direct payments:</u>				
Department of Education: Adult Education - National Leadership Activities	84.191	N/A	\$	35,495 \$ -
<u>Pass through payments:</u>				
Department of Education:				
Title I Grants to Local Educational Agencies	84.010	APE42901		846,990 -
Special Education Cluster (IDEA): Special Education - Grants to States	84.027	APE43071	\$ 607,706	
Special Education - Preschool Grants	84.173	APE62521		<u>3,074</u>
Total Special Education Cluster				610,780 -
Career and Technical Education - Basic Grants to States	84.048	APE61095		131,187 -
Safe and Drug-free Schools and Communities - State Grants	84.186			
Rural Education	84.358			71,368 -
English Language Acquisition State Grants	84.365	APE43405		33,219 -
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	APE61480		90,745 -
Student Support and Academic Enrichment Program	84.424	APE60281		120,447 -
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	APE50195 & APE60041	\$ 919,105	
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	APE501931		<u>2,876,695</u>
Total Department of Education			\$	5,736,031 \$ -
<b>Total Expenditures of Federal Awards</b>			\$	<u>14,068,967</u> \$ <u>107,958</u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Schedule of Expenditures of Federal Awards  
For The Year Ended June 30, 2023

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Martinsville, Virginia under programs of the federal government for the year ended June 30, 2023. 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	\$ 6,230,111
Special Revenue Fund:	
City Grants Fund	28,475
Capital Projects Funds:	
Meals Tax Fund	<u>372,721</u>
Total primary government	\$ <u>6,631,307</u>
Component Unit School Board:	
School Operating Fund	\$ 4,081,345
School Grants Fund	1,904,736
School Cafeteria Fund	<u>1,825,110</u>
Total component unit school board	\$ 7,811,191
Reconcile federal revenues to expenditures:	
Less: Joint Law Enforcement Operation Funds (JLEO formerly CFDA 16.111)	(810)
Less: Federal tax credit subsidy on QSCB bond	<u>(372,721)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>14,068,967</u></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.

**CITY OF MARTINSVILLE, VIRGINIA**

Schedule of Findings and Questioned Costs  
For The Year Ended June 30, 2023

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

    Material weakness(es) identified? No

    Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

    Material weakness(es) identified? No

    Significant deficiency(ies) identified? No

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

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

Identification of major programs:

<u>Assistance Listing #</u>	<u>Name of Federal Program or Cluster</u>
10.553 / 10.555 / 10.559	Child Nutrition Cluster
21.027	Coronavirus State and Local Fiscal Recovery Fund
84.027 / 84.173	Special Education Cluster
84.425	Education Stabilization Fund

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

Auditee qualified as low-risk auditee? Yes

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

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

**Section IV - Prior Year Findings**

There are no prior year findings.