

Martinsville, Virginia
A CITY WITHOUT LIMITS



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2025

CITY OF MARTINSVILLE, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025

PREPARED BY:

Finance Department

CITY OF MARTINSVILLE, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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CITY OF MARTINSVILLE, VIRGINIA

City Council

LC Jones, Mayor
Kathy Lawson, Vice-Mayor

Aaron Rawls

Rayshaun Gravely

Julian Mei

School Board

Yvonne Givens, Chairperson
Michael Williamson, Vice-Chairperson

Nekia Blackwell

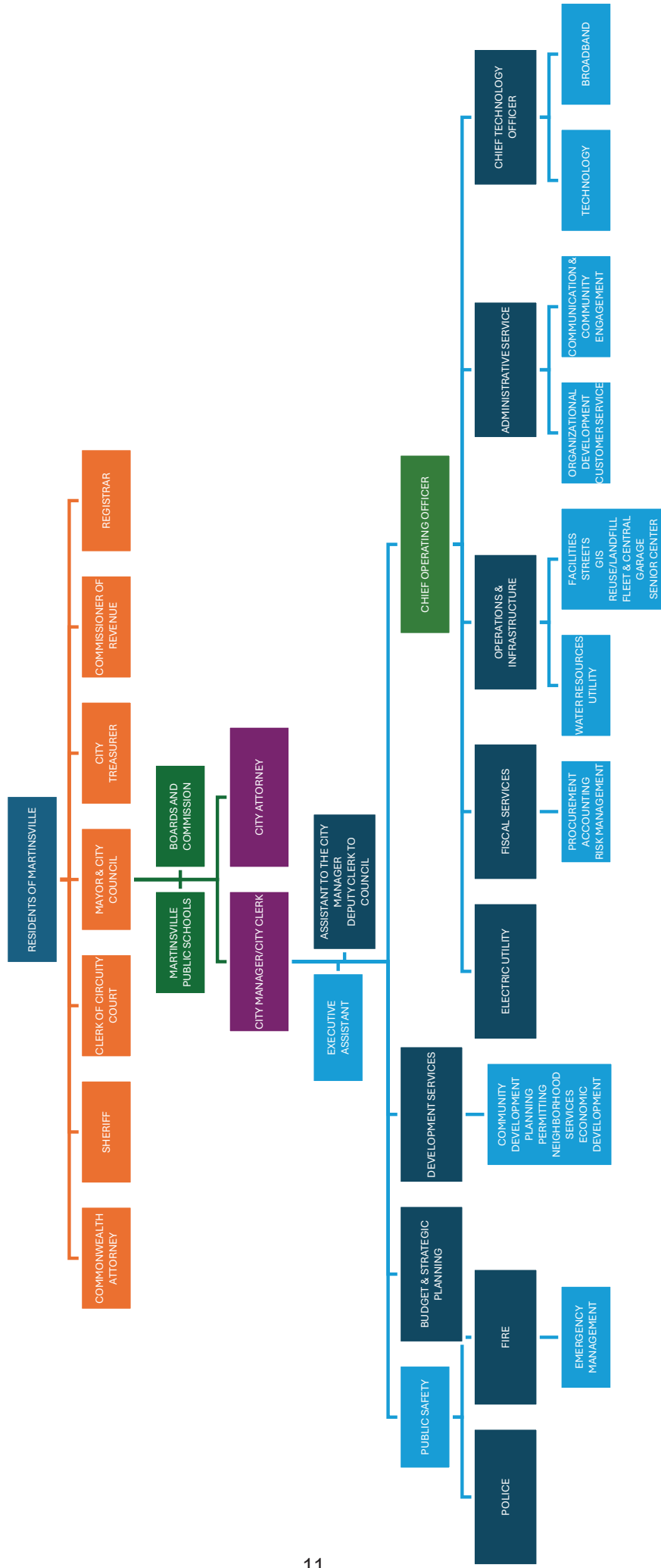
Kathy Carter

Tony Jones

Other Officials

City Manager.....	Rob Fincher
Clerk of the Circuit Court.....	Jean Nunn
City Attorney/Asst. City Mgr.	Vacant
Commissioner of the Revenue.....	Ruth Easley
Interim Treasurer	Sheila Clark
Police Chief.....	Chad Rhoads
Superintendent of Schools.....	Zebadee Talley
Clerk of the School Board.....	Callie Hietala
Director of Finance.....	Richard Stanfield
Sheriff.....	Steve M. Draper
Commonwealth's Attorney	Patrick Flinn
Public Works Director	Greg Maggard
Electric Director.....	Durwin Joyce
Purchasing Manager.....	Zachary Morris
Fire Chief	Dan Howell
Water Resources	Mandy Muse

City of Martinsville Organizational Chart





Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of and for the year ended June 30, 2025, 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, 2025, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2025, the City adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Restatements of Beginning Balances

As described in Note 21 to the financial statements, in 2025, the City restated beginning balances to reflect the requirements of GASB Statement No. 101 and to correct the balance of accounts payable. 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 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 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 June 1, 2026, 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
June 1, 2026

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, 2025. 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 \$59,747,532 (total net position).
- The Governmental activities net position was \$16,489,281 of the City's total, an increase of \$6,024,954 from net position of \$10,464,327 at June 30, 2024.
- Net position of the City's various business-type activities totaled \$43,258,251. This is an increase of \$1,749,877 or 4.22% compared to net position of \$41,508,374 at June 30, 2024.

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 \$4,436,416 (Exhibit 4) after making direct contributions totaling \$5,289,709 to the School Board. Additionally, \$1,199,644 was expended from the General Fund for School related debt service. A total of \$6,489,353 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 \$18,798,759, which is an increase of \$4,436,416 in comparison with the prior fiscal year.
- At the close of the current fiscal year, the unassigned fund balance for the General Fund was \$12,637,552 or 67.23% of total general fund expenditures.
- The combined long-term Governmental activities obligations increased by \$2,301,080 or approximately 8.80% during the current fiscal year. This is primarily due to a decrease in the actuarially determined net pension liability and a new capital financing obligation.

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 one major governmental fund - the General 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 FY2025, (1) assets and deferred outflows of resources exceeded (2) liabilities and deferred inflows of resources by \$59,747,532 at the close of the fiscal year as presented in the Table below. This was an increase of \$7,774,831 or 14.96% as compared to the FY2024 closing amount of \$51,972,701.

**City of Martinsville, Virginia
Statement of Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2025 and 2024**

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 27,031,584	\$ 27,329,021	\$ 18,053,891	\$ 16,074,796	\$ 45,085,475	\$ 43,403,817
Capital assets	17,203,244	17,158,093	55,855,091	54,958,316	73,058,335	72,116,409
Total assets	\$ 44,234,828	\$ 44,487,114	\$ 73,908,982	\$ 71,033,112	\$ 118,143,810	\$ 115,520,226
Deferred outflows of resources	6,294,599	2,893,687	2,520,721	1,316,845	8,815,320	4,210,532
Total assets and deferred outflows of resources	\$ 50,529,427	\$ 47,380,801	\$ 76,429,703	\$ 72,349,957	\$ 126,959,130	\$ 119,730,758
Long-term liabilities outstanding	\$ 27,233,544	\$ 24,077,806	\$ 26,424,085	\$ 27,161,369	\$ 53,657,629	\$ 51,239,175
Current liabilities	4,525,348	9,571,548	4,922,294	3,717,300	9,447,642	13,288,848
Total liabilities	\$ 31,758,892	\$ 33,649,354	\$ 31,346,379	\$ 30,878,669	\$ 63,105,271	\$ 64,528,023
Deferred inflows of resources	\$ 2,281,254	\$ 2,390,719	\$ 1,825,073	\$ 441,741	\$ 4,106,327	\$ 2,832,460
Net position:						
Net investment in capital assets	\$ 11,332,444	\$ 10,731,433	\$ 36,218,504	\$ 33,356,327	\$ 47,550,948	\$ 44,087,760
Restricted	5,311,719	4,347,708	-	-	5,311,719	4,347,708
Unrestricted (deficit)	(154,882)	(3,738,413)	7,039,747	7,673,220	6,884,865	3,934,807
Total net position	\$ 16,489,281	\$ 11,340,728	\$ 43,258,251	\$ 41,029,547	\$ 59,747,532	\$ 52,370,275
Total liabilities, deferred inflows of resources and net position	\$ 50,529,427	\$ 47,380,801	\$ 76,429,703	\$ 72,349,957	\$ 126,959,130	\$ 119,730,758

At the end of FY2025, the City's net investment in capital assets is \$47,550,948. 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 \$11,332,444.

Restricted Assets represent resources subject to external restrictions on how they may be used. In FY2025, the City held cash restricted for Electric and Water customer deposits totaling \$456,046.

Governmental Activities - Governmental activities increased Martinsville City's net position by \$7,774,831. The key elements of this decrease are found in exhibit 2.

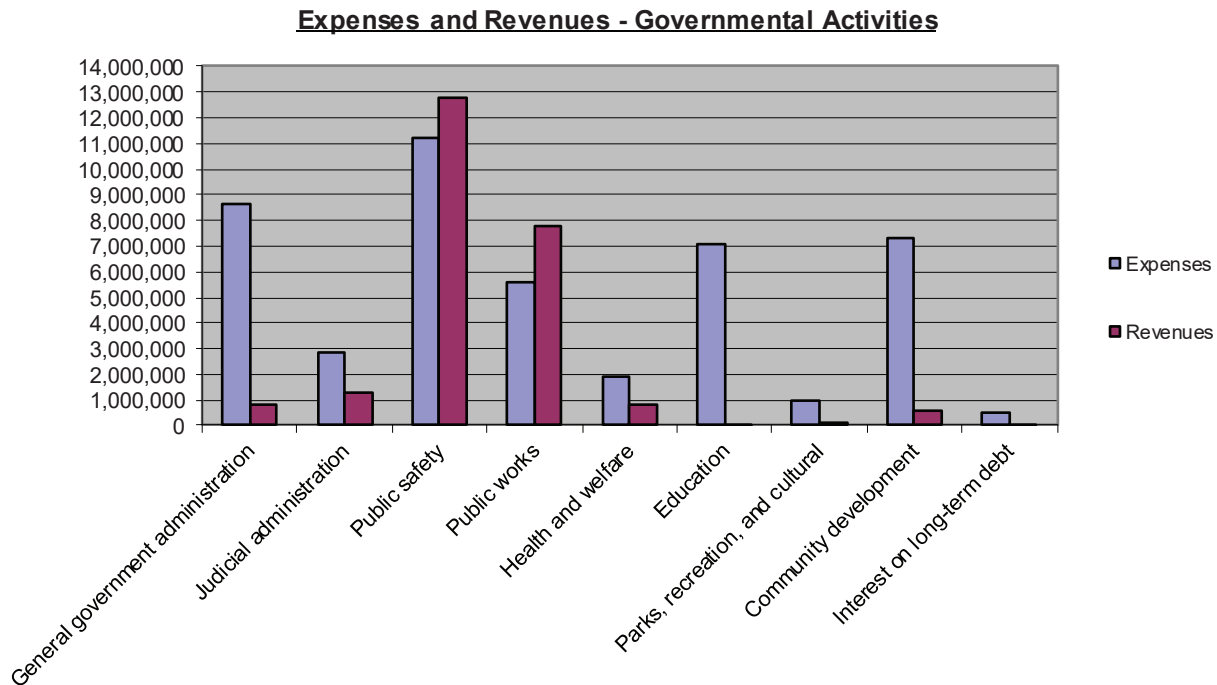
**City of Martinsville, Virginia
Changes in Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2025 and 2024**

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 4,404,849	\$ 2,398,386	\$ 35,613,878	\$ 32,187,777	\$ 40,018,727	\$ 34,586,163
Operating grants and contributions	20,054,532	16,068,038	-	-	20,054,532	16,068,038
Capital grants and contributions	453,502	569,332	861,196	4,381,297	1,314,698	4,950,629
General revenues:						
General property taxes	11,647,203	11,553,269	-	-	11,647,203	11,553,269
Other local taxes	9,947,733	9,948,248	-	-	9,947,733	9,948,248
Commonwealth non-categorical aid	1,270,720	1,281,309	-	-	1,270,720	1,281,309
Other general revenues	2,199,461	2,246,902	909,789	684,655	3,109,250	2,931,557
Total revenues	\$ 49,978,000	\$ 44,065,484	\$ 37,384,863	\$ 37,253,729	\$ 87,362,863	\$ 81,319,213
Expenses:						
General government administration	\$ 8,666,003	\$ 4,828,694	\$ -	\$ -	\$ 8,666,003	\$ 4,828,694
Judicial administration	2,859,948	2,853,488	-	-	2,859,948	2,853,488
Public safety	11,201,768	13,555,439	-	-	11,201,768	13,555,439
Public works	5,579,375	4,319,615	-	-	5,579,375	4,319,615
Health and welfare	1,889,170	2,195,904	-	-	1,889,170	2,195,904
Education	7,040,036	6,661,732	-	-	7,040,036	6,661,732
Parks, recreation, and cultural	1,011,103	991,330	-	-	1,011,103	991,330
Community development	7,287,795	4,806,583	-	-	7,287,795	4,806,583
Interest on long-term debt	496,302	62,094	-	-	496,302	62,094
Electric	-	-	22,377,774	20,533,010	22,377,774	20,533,010
Water & sewer	-	-	9,199,284	8,215,004	9,199,284	8,215,004
Refuse collection/landfill	-	-	1,979,474	2,047,037	1,979,474	2,047,037
Total expenses	\$ 46,031,500	\$ 40,274,879	\$ 33,556,532	\$ 30,795,051	\$ 79,588,032	\$ 71,069,930
Change in net position before transfers	\$ 3,946,500	\$ 3,790,605	\$ 3,828,331	\$ 6,458,678	\$ 7,774,831	\$ 10,249,283
Transfers	2,078,454	550,000	(2,078,454)	(550,000)	-	-
Change in net position	\$ 6,024,954	\$ 4,340,605	\$ 1,749,877	\$ 5,908,678	\$ 7,774,831	\$ 10,249,283
Net position - beginning, restated	10,464,327	7,000,123	41,508,374	35,120,869	51,972,701	42,120,992
Net position - ending	\$ 16,489,281	\$ 11,340,728	\$ 43,258,251	\$ 41,029,547	\$ 59,747,532	\$ 52,370,275

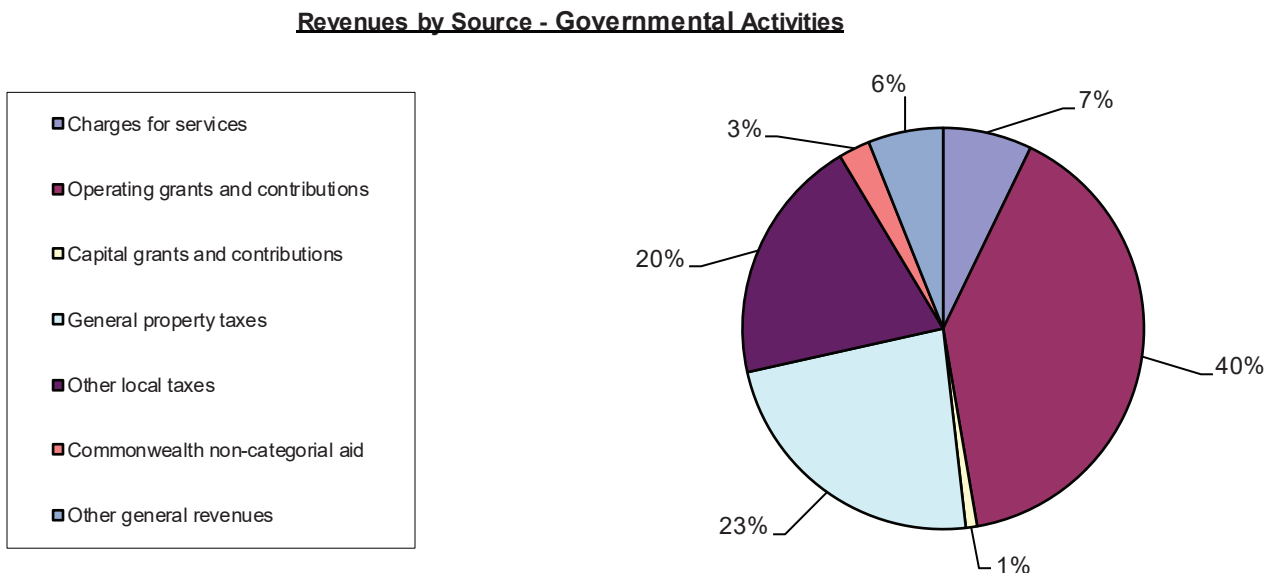
Government-wide Financial Analysis (Continued)

Revenues in governmental activities totaled \$49,978,000 with operating grants and contributions (40.13%), general property taxes (23.30%), and other local taxes (19.90%) comprising 83.34% of the City's revenues. Expenses for public safety (24.34%), education (15.29%), public works (12.12%), community development (15.83%), and general government administration (18.83%), account for 86.41% of total governmental expenses of \$46,031,500.

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



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



Business-type Activities increased the City's net position by \$1,749,877. Transfers out of business-type activities increased by \$1,528,454 compared to the prior fiscal year.

Financial Analysis of the City's Funds

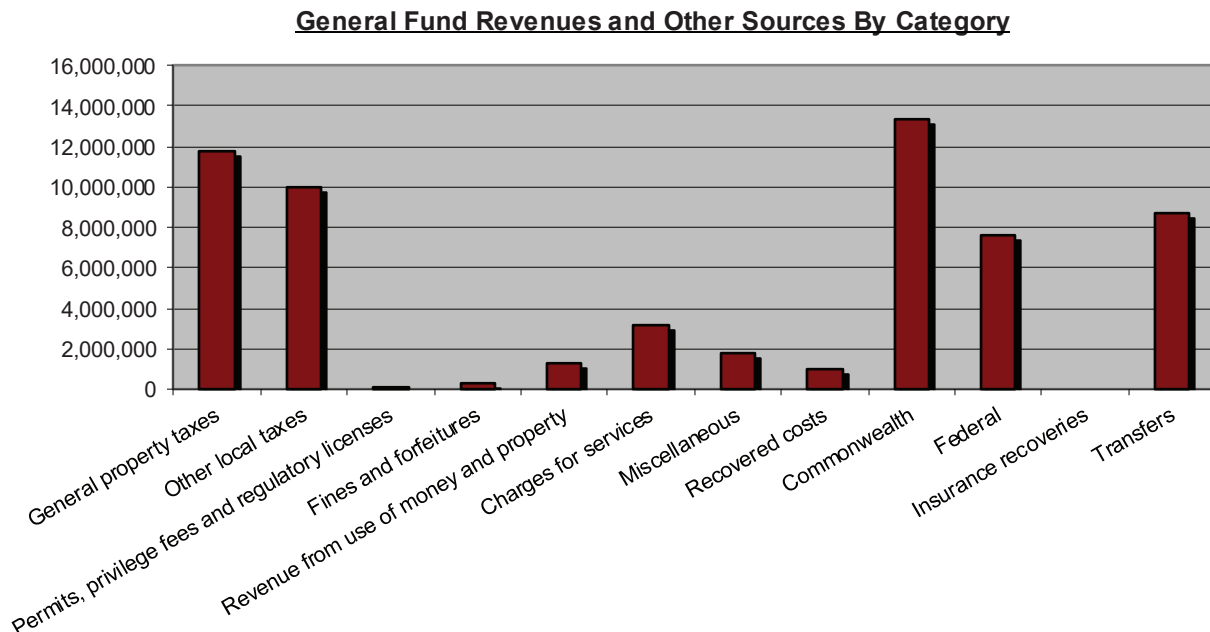
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances at the end of the fiscal year can be used to measure net resources available for expenditure. Governmental Funds reported a combined ending fund balance of \$18,798,759, an increase of \$4,436,416 when compared to the prior year. \$12,637,552, or 67.23%, of the combined governmental fund balance is unassigned. The remaining \$6,161,207, or 32.77%, of the total fund balance is nonspendable, restricted, 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, 2025 of \$18,489,693. This is an increase from the prior year of \$7,311,799. The General Fund revenue exceeded expenditures in the current year by \$4,505,125; the revenues exceeded expenditures in FY24 by \$664,911. There were \$1,755,000 of transfers into the General Fund in FY24 as compared to \$8,721,689 of transfers into the General Fund in FY25. There was \$5,915,015 of transfers out of the General Fund in FY25. \$12,637,552, representing 68.35% of the total fund balance is unassigned, an increase of \$7,381,684, compared to \$5,255,868 of unassigned fund balance from June 30, 2024. 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 27.61% of total General Fund expenditures, while total fund balance is 40.40% of that same amount.

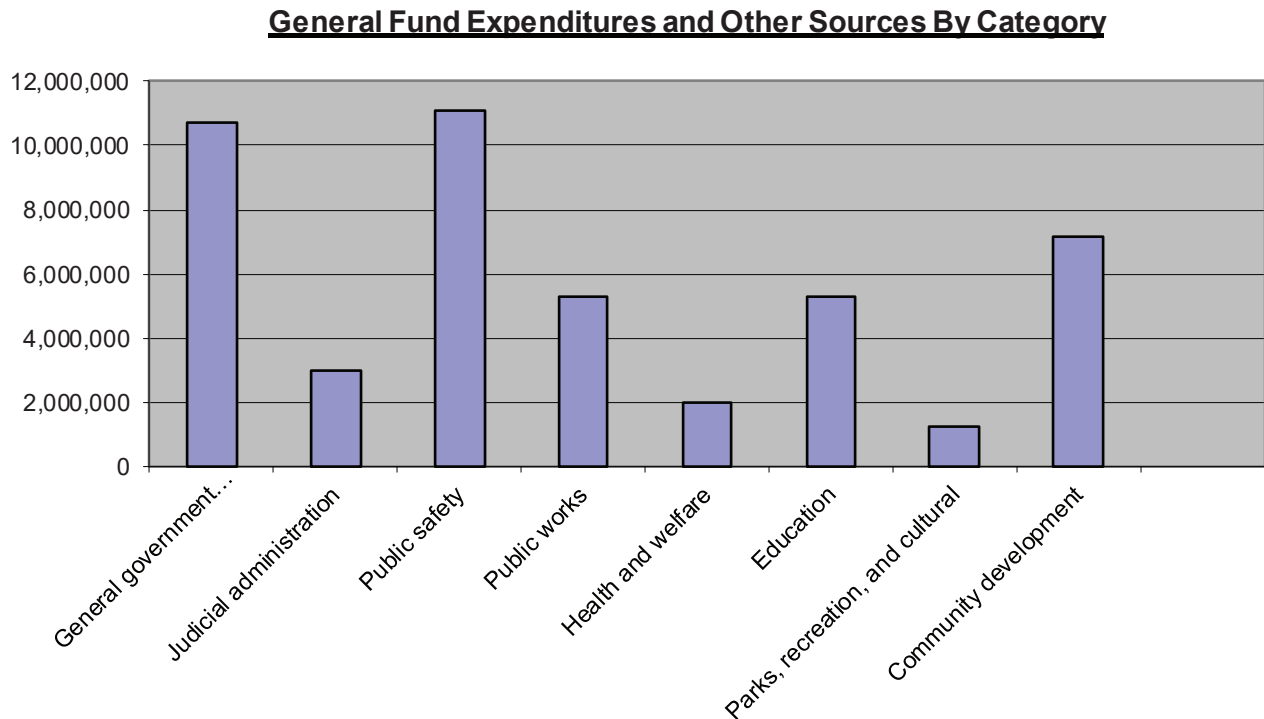
General Fund Revenues and Other Sources by Category

The following graph depicts General Fund revenues and other sources by categories. Total revenues and other sources are \$50,274,556.



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 \$45,769,431.



Proprietary funds – reported combined ending net position of \$43,258,251, an increase of \$1,749,877 in comparison with the amount reported on June 30, 2024. The Electric Fund increased \$1,835,150; the Refuse Fund decreased \$202,042; the Water & Sewer Fund increased \$116,769.

The Enterprise Funds contributed \$2,541,804 in support of other City operations. Transfers were made to the General Fund in FY2025.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were as follows. Revenues were increased by \$6,740,971 or 19.89%, while expenditures increased by \$2,610,015 or 5.79%.

The Revenue increases (decreases) were as follows:

- \$6,090,000 in Other local taxes
- \$283,755 in Revenue from use of money and property
- \$88,598 in Miscellaneous
- \$278,618 in Intergovernmental revenues from the Commonwealth

The Expenditure amendments were as follows:

- (\$1,496,150) in General government administration
- \$47,700 in Judicial administration
- \$358,686 in Public Safety
- \$2,887,011 in Public Works
- \$250,000 in Health and welfare
- \$57,296 in Parks, recreation, and cultural
- \$505,472 in Community development

General Fund Budgetary Highlights (Continued)

During the year, actual revenues were greater than budgeted by \$9,637,924 or 23.72%; actual expenditures were less than the budget by \$2,610,015 or 4.00%. The result was a positive variance of \$11,544,942 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, 2025, is \$73,058,335 (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 FY2025 were: public works equipment, patrol cars, trucks, and continuing facility renovations.

**City of Martinsville, Virginia's
Capital Assets
June 30, 2024 and 2023**

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$ 4,379,094	\$ 4,379,094	\$ 683,624	\$ 683,624	\$ 5,062,718	\$ 5,062,718
Construction in progress	182,341	2,260,590	184,901	6,598,332	367,242	8,858,922
Buildings and improvements	14,862,121	13,094,631	7,056,422	6,779,238	21,918,543	19,873,869
Infrastructure	34,775,970	34,775,970	103,766,716	95,685,926	138,542,686	130,461,896
Equipment	15,288,839	13,722,865	13,144,620	11,848,611	28,433,459	25,571,476
Total	\$ 69,488,365	\$ 68,233,150	\$ 124,836,283	\$ 121,595,731	\$ 194,324,648	\$ 189,828,881
Less: accumulated depreciation	52,285,121	51,075,057	68,981,192	66,637,415	121,266,313	117,712,472
Net capital assets	<u>\$ 17,203,244</u>	<u>\$ 17,158,093</u>	<u>\$ 55,855,091</u>	<u>\$ 54,958,316</u>	<u>\$ 73,058,335</u>	<u>\$ 72,116,409</u>

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

Long-term debt – At the close of FY2025, Martinsville City had total outstanding obligations (not including pension or OPEB obligations) of \$30,339,486. Of this amount, \$4,824,926 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 increase in the City’s long-term debt of \$376,833. 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, 2025 the City’s ratio of Net General Obligation Debt to Assessed Value was 0.048%. 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 FY2025 Budget and Tax Rates

The FY25 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.

Basic tax rates remain unchanged in FY25. 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 FY2025 Budget and Tax Rates: (Continued)

Looking Ahead

The City faces both opportunities and challenges in FY25, 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, 2025, was 5.50% compared to 5.10% on June 30, 2024. 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 FY25 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 FY2025 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 FY25, 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 2026, the City Council approved a General Fund Budget of \$37,449,786 with no changes in utility rates, a 3% decrease 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, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 17,183,889	\$ 11,054,595	\$ 28,238,484	\$ 4,707,676
Cash and cash equivalents - restricted	-	456,046	456,046	-
Receivables (net of allowance for uncollectibles):				
Property taxes	2,445,281	-	2,445,281	-
Accounts receivable	1,227,076	3,797,479	5,024,555	807
Inventory	3,341,551	1,928,203	5,269,754	-
Due from other governments	2,833,787	817,568	3,651,355	912,439
Total Current Assets	\$ 27,031,584	\$ 18,053,891	\$ 45,085,475	\$ 5,620,922
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	182,341	184,901	367,242	-
Buildings and improvements	4,532,015	1,790,424	6,322,439	14,548,469
Equipment	4,492,822	4,237,781	8,730,603	1,140,630
Infrastructure	3,616,972	48,958,361	52,575,333	-
Total Net Capital Assets	\$ 17,203,244	\$ 55,855,091	\$ 73,058,335	\$ 15,736,271
Total Noncurrent Assets	\$ 17,203,244	\$ 55,855,091	\$ 73,058,335	\$ 15,736,271
Total Assets	\$ 44,234,828	\$ 73,908,982	\$ 118,143,810	\$ 21,357,193
DEFERRED OUTFLOWS OF RESOURCES				
Items related to:				
Pension	\$ 5,830,249	\$ 2,399,868	\$ 8,230,117	\$ 4,950,517
OPEB	464,350	120,853	585,203	536,089
Total deferred outflows of resources	\$ 6,294,599	\$ 2,520,721	\$ 8,815,320	\$ 5,486,606
Total assets and deferred outflows of resources	\$ 50,529,427	\$ 76,429,703	\$ 126,959,130	\$ 26,843,799
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 3,084,093	\$ 3,415,796	\$ 6,499,889	\$ 1,920,046
Accrued interest payable	175,333	40,113	215,446	-
Unearned revenues	46,526	-	46,526	-
Current portion of long-term obligations	1,219,396	1,466,385	2,685,781	244,671
Total Current Liabilities	\$ 4,525,348	\$ 4,922,294	\$ 9,447,642	\$ 2,164,717
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations	\$ 27,233,544	\$ 26,424,085	\$ 53,657,629	\$ 18,592,310
Total Noncurrent Liabilities	\$ 27,233,544	\$ 26,424,085	\$ 53,657,629	\$ 18,592,310
Total Liabilities	\$ 31,758,892	\$ 31,346,379	\$ 63,105,271	\$ 20,757,027
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 76,281	\$ -	\$ 76,281	\$ -
Items related to:				
Pension	2,098,434	1,797,107	3,895,541	2,408,672
OPEB	106,539	27,966	134,505	341,647
Net health insurance credit OPEB liability	-	-	-	-
Total deferred inflows of resources	\$ 2,281,254	\$ 1,825,073	\$ 4,106,327	\$ 2,750,319
NET POSITION				
Net investment in capital assets	\$ 11,332,444	\$ 36,218,504	\$ 47,550,948	\$ 15,771,479
Restricted:				
Opioid settlement	1,385,227	-	1,385,227	-
State highway maintenance	3,734,115	-	3,734,115	-
Asset forfeiture	192,377	-	192,377	-
Unrestricted (deficit)	(154,882)	7,039,747	6,884,865	(12,435,026)
Total Net Position	\$ 16,489,281	\$ 43,258,251	\$ 59,747,532	\$ 3,336,453
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 50,529,427	\$ 76,429,703	\$ 126,959,130	\$ 26,843,799

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, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 8,666,003	\$ 132,016	\$ 766,189	\$ -
Judicial administration	2,859,948	176,641	1,094,707	-
Public safety	11,201,768	1,360,655	11,429,850	-
Public works	5,579,375	2,735,537	5,314,626	453,502
Health and welfare	1,889,170	-	811,885	-
Education	7,040,036	-	-	-
Parks, recreation, and cultural	1,011,103	-	44,979	-
Community development	7,287,795	-	592,296	-
Interest on long-term debt	496,302	-	-	-
Total governmental activities	\$ 46,031,500	\$ 4,404,849	\$ 20,054,532	\$ 453,502
Business-type activities:				
Electric	\$ 22,377,774	\$ 24,327,435	\$ -	\$ -
Water & sewer	9,199,284	9,392,662	-	861,196
Refuse collection / landfill	1,979,474	1,893,781	-	-
Total business-type activities	\$ 33,556,532	\$ 35,613,878	\$ -	\$ 861,196
Total primary government	\$ 79,588,032	\$ 40,018,727	\$ 20,054,532	\$ 1,314,698
COMPONENT UNIT:				
School Board	\$ 32,748,808	\$ 136,283	\$ 28,775,964	\$ -
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				
Miscellaneous				
Grants and contributions not restricted to specific programs				
City contribution to the school board, unrestricted				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position (deficit) - beginning, as originally reported				
Restatements				
Net position (deficit) - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	School Board	Functions/Programs
PRIMARY GOVERNMENT:				
Governmental activities:				
\$ (7,767,798)	\$ -	\$ (7,767,798)	\$ -	General government administration
(1,588,600)	-	(1,588,600)	-	Judicial administration
1,588,737	-	1,588,737	-	Public safety
2,924,290	-	2,924,290	-	Public works
(1,077,285)	-	(1,077,285)	-	Health and welfare
(7,040,036)	-	(7,040,036)	-	Education
(966,124)	-	(966,124)	-	Parks, recreation, and cultural
(6,695,499)	-	(6,695,499)	-	Community development
(496,302)	-	(496,302)	-	Interest on long-term debt
\$ (21,118,617)	\$ -	\$ (21,118,617)	\$ -	Total government activities
Business-type activities:				
\$ -	\$ 1,949,661	\$ 1,949,661	\$ -	Electric
-	1,054,574	1,054,574	-	Water
-	(85,693)	(85,693)	-	Refuse collection / landfill
\$ -	\$ 2,918,542	\$ 2,918,542	\$ -	Total business-type activities
\$ (21,118,617)	\$ 2,918,542	\$ (18,200,075)	\$ -	Total primary government
COMPONENT UNIT:				
\$ -	\$ -	\$ -	\$ (3,836,561)	School Board
General revenues:				
\$ 11,647,203	\$ -	\$ 11,647,203	\$ -	General property taxes
2,687,807	-	2,687,807	-	Local sales tax
2,295,250	-	2,295,250	-	Business license tax
2,975,187	-	2,975,187	-	Meals tax
510,313	-	510,313	-	Consumer utility tax
1,479,176	-	1,479,176	-	Other local taxes
449,173	-	449,173	35,526	Unrestricted revenues from use of money
1,750,288	909,789	2,660,077	302,872	Miscellaneous
1,270,720	-	1,270,720	-	Grants and contributions not restricted to specific programs
-	-	-	5,289,709	City contribution to the school board, unrestricted
2,078,454	(2,078,454)	-	-	Transfers
\$ 27,143,571	\$ (1,168,665)	\$ 25,974,906	\$ 5,628,107	Total general revenues and transfers
\$ 6,024,954	\$ 1,749,877	\$ 7,774,831	\$ 1,791,546	Change in net position
11,340,728	41,029,547	52,370,275	3,719,063	Net position (deficit) - beginning, as originally reported
(876,401)	478,827	(397,574)	(2,174,156)	Restatements
10,464,327	41,508,374	51,972,701	1,544,907	Net position (deficit) - beginning, as restated
\$ 16,489,281	\$ 43,258,251	\$ 59,747,532	\$ 3,336,453	Net position - ending

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2025

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 17,112,230	\$ 823,403	\$ 17,935,633
Receivables (net of allowance for uncollectibles):			
Taxes, including penalties	2,445,281	-	2,445,281
Accounts	1,227,076	-	1,227,076
Inventory	1,267,879	-	1,267,879
Due from other governments	2,502,286	331,501	2,833,787
Total assets	<u>\$ 24,554,752</u>	<u>\$ 1,154,904</u>	<u>\$ 25,709,656</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 3,014,999	\$ 69,094	\$ 3,084,093
Reconciled overdraft	-	751,744	751,744
Unearned revenue	21,526	25,000	46,526
Total liabilities	<u>\$ 3,036,525</u>	<u>\$ 845,838</u>	<u>\$ 3,882,363</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	\$ 2,177,470	\$ -	\$ 2,177,470
Unavailable revenue-opioid settlement	851,064	-	851,064
Total deferred inflows of resources	<u>\$ 3,028,534</u>	<u>\$ -</u>	<u>\$ 3,028,534</u>
FUND BALANCES			
Nonspendable:			
Inventory	\$ 1,267,879	-	\$ 1,267,879
Restricted:			
Opioid settlement	534,163	-	534,163
State highway maintenance	3,734,115	-	3,734,115
Asset forfeiture	192,377	-	192,377
Committed:			
General government administration	253,870	-	253,870
Judicial administration	4,623	-	4,623
Public safety	232,723	-	232,723
Parks, recreation, and cultural	9,707	-	9,707
Community development	29,000	-	29,000
Assigned:			
Capital reserve fund	-	744,609	744,609
Special revenue	-	(435,543)	(435,543)
Unassigned	12,231,236	-	12,231,236
Total fund balances	<u>\$ 18,489,693</u>	<u>\$ 309,066</u>	<u>\$ 18,798,759</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,554,752</u>	<u>\$ 1,154,904</u>	<u>\$ 25,709,656</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	\$	18,798,759
Capital assets used in governmental activities are not financial resources and, therefore are not reported		17,203,244
Inventory of land and buildings held for resale		2,073,672
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes	\$	2,101,189
Unavailable revenue - opioid settlement		851,064
		<u>2,952,253</u>

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

Deferred outflows related to:		
Pension items	\$	5,830,249
OPEB items		464,350
		<u>6,294,599</u>
Deferred inflows related to:		
Pension items	\$	(2,098,434)
OPEB items		(106,539)
		<u>(2,204,973)</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.

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an		(175,333)
Net position of General Government Activities	\$	<u>16,489,281</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, 2025

	<u>General</u>	<u>Meals Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
General property taxes	\$ 11,793,855	\$ -	\$ -	\$ 11,793,855
Other local taxes	9,947,733	-	-	9,947,733
Permits, privilege fees and regulatory licenses	104,949	-	-	104,949
Fines and forfeitures	287,278	-	-	287,278
Revenue from use of money and property	1,266,311	-	7,884	1,274,195
Charges for services	3,187,602	-	-	3,187,602
Miscellaneous	1,730,961	-	-	1,730,961
Recovered costs	959,810	-	-	959,810
Intergovernmental:				
Commonwealth	13,387,141	-	210,000	13,597,141
Federal	7,608,916	-	572,696	8,181,612
Total revenues	<u>\$ 50,274,556</u>	<u>\$ -</u>	<u>\$ 790,580</u>	<u>\$ 51,065,136</u>
Expenditures:				
Current:				
General government administration	\$ 10,722,927	\$ -	\$ 152,571	\$ 10,875,498
Judicial administration	2,981,395	-	-	2,981,395
Public safety	11,098,733	-	927,642	12,026,375
Public works	5,290,828	-	489,310	5,780,138
Health and welfare	1,983,964	-	-	1,983,964
Education	5,309,544	-	-	5,309,544
Parks, recreation, and cultural	1,245,070	-	-	1,245,070
Community development	7,136,970	-	1,008,239	8,145,209
Debt service:				
Principal retirement	-	-	1,132,488	1,132,488
Interest and other fiscal charges	-	-	502,493	502,493
Total expenditures	<u>\$ 45,769,431</u>	<u>\$ -</u>	<u>\$ 4,212,743</u>	<u>\$ 49,982,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,505,125</u>	<u>\$ -</u>	<u>\$ (3,422,163)</u>	<u>\$ 1,082,962</u>
Other financing sources (uses):				
Capital lease proceeds	\$ -	\$ -	\$ 1,275,000	\$ 1,275,000
Transfers in	8,721,689	-	1,236,341	9,958,030
Transfers (out)	(5,915,015)	(1,964,561)	-	(7,879,576)
Total other financing sources (uses)	<u>\$ 2,806,674</u>	<u>\$ (1,964,561)</u>	<u>\$ 2,511,341</u>	<u>\$ 3,353,454</u>
Changes in fund balances	\$ 7,311,799	\$ (1,964,561)	\$ (910,822)	\$ 4,436,416
Fund balances at beginning of year	<u>11,177,894</u>	<u>1,964,561</u>	<u>1,219,888</u>	<u>14,362,343</u>
Fund balances at end of year	<u>\$ 18,489,693</u>	<u>\$ -</u>	<u>\$ 309,066</u>	<u>\$ 18,798,759</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, 2025

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds	\$	4,436,416
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	\$ 2,038,457	
Depreciation expense	<u>(1,210,065)</u>	828,392
Inventory of land and buildings purchased during the year and held for resale		525,740
Transfer of joint tenancy assets from Primary Government to the Component Unit		(783,241)
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	\$ (146,652)	
Change in unavailable revenue - opioid settlement	19,327	
Change in deferred inflows related to the measurement of:		
Pension items	(19,493)	
OPEB items	<u>58,443</u>	(88,375)
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:		
Capital lease proceeds	\$ (1,275,000)	
Principal retired on general obligation bonds	94,800	
Principal retired on capital financing activities	254,446	
Principal retired on VPA subsidy bonds	<u>783,238</u>	(142,516)
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	\$ (145,218)	
Change in deferred outflows related to:		
Pension items	3,314,200	
OPEB items	86,712	
Change in net pension liability	(1,976,787)	
Change in net OPEB liability - group life insurance	79,553	
Change in total Pay-as-you-Go OPEB liability	(116,115)	
Change in accrued interest payable	<u>6,193</u>	1,248,538
Change in net position of governmental activities	\$	<u><u>6,024,954</u></u>

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

Proprietary Funds
Statement of Net Position
At June 30, 2025

	Electric Fund	Water & Sewer Fund	Refuse Collection/ Landfill Fund	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,798,075	\$ 5,055,875	\$ 2,200,645	\$ 11,054,595
Cash and cash equivalents - restricted	409,529	46,517	-	456,046
Receivables (net of allowance for uncollectibles):	2,623,460	932,518	241,501	3,797,479
Due from other governments	-	817,568	-	817,568
Inventory	1,692,969	235,234	-	1,928,203
Total current assets	<u>\$ 8,524,033</u>	<u>\$ 7,087,712</u>	<u>\$ 2,442,146</u>	<u>\$ 18,053,891</u>
Noncurrent Assets:				
Capital assets:				
Land	\$ -	\$ 683,624	\$ -	\$ 683,624
Construction in progress	-	184,901	-	184,901
Buildings and improvements	586,744	3,501,817	2,967,861	7,056,422
Equipment	4,298,926	5,679,901	3,165,793	13,144,620
Infrastructure	42,182,446	61,584,270	-	103,766,716
Accumulated depreciation	(28,638,039)	(36,182,060)	(4,161,093)	(68,981,192)
Total capital assets (net of accumulated depreciation)	<u>\$ 18,430,077</u>	<u>\$ 35,452,453</u>	<u>\$ 1,972,561</u>	<u>\$ 55,855,091</u>
Total noncurrent assets	<u>\$ 18,430,077</u>	<u>\$ 35,452,453</u>	<u>\$ 1,972,561</u>	<u>\$ 55,855,091</u>
Total assets	<u>\$ 26,954,110</u>	<u>\$ 42,540,165</u>	<u>\$ 4,414,707</u>	<u>\$ 73,908,982</u>
DEFERRED OUTFLOWS OF RESOURCES				
Items related to:				
Pension	\$ 442,098	\$ 1,830,634	\$ 127,136	\$ 2,399,868
OPEB	44,095	64,052	12,706	120,853
Total deferred outflows of resources	<u>\$ 486,193</u>	<u>\$ 1,894,686</u>	<u>\$ 139,842</u>	<u>\$ 2,520,721</u>
Total assets and deferred outflows of resources	<u>\$ 27,440,303</u>	<u>\$ 44,434,851</u>	<u>\$ 4,554,549</u>	<u>\$ 76,429,703</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,854,132	\$ 953,561	\$ 152,057	\$ 2,959,750
Customers' deposits	409,529	46,517	-	456,046
Interest payable	25,005	12,018	3,090	40,113
Current portion of long-term obligations	396,500	1,020,516	49,369	1,466,385
Total current liabilities	<u>\$ 2,685,166</u>	<u>\$ 2,032,612</u>	<u>\$ 204,516</u>	<u>\$ 4,922,294</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	<u>3,978,313</u>	<u>19,048,521</u>	<u>3,397,251</u>	<u>26,424,085</u>
Total liabilities	<u>\$ 6,663,479</u>	<u>\$ 21,081,133</u>	<u>\$ 3,601,767</u>	<u>\$ 31,346,379</u>
DEFERRED INFLOWS OF RESOURCES				
Items related to:				
Pension	\$ 352,345	\$ 1,340,298	\$ 104,464	\$ 1,797,107
OPEB	10,436	14,521	3,009	27,966
Total deferred inflows of resources	<u>\$ 362,781</u>	<u>\$ 1,354,819</u>	<u>\$ 107,473</u>	<u>\$ 1,825,073</u>
NET POSITION				
Net investment in capital assets	\$ 15,950,077	\$ 18,540,866	\$ 1,727,561	\$ 36,218,504
Unrestricted (deficit)	<u>4,463,966</u>	<u>3,458,033</u>	<u>(882,252)</u>	<u>7,039,747</u>
Total net position	<u>\$ 20,414,043</u>	<u>\$ 21,998,899</u>	<u>\$ 845,309</u>	<u>\$ 43,258,251</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 27,440,303</u>	<u>\$ 44,434,851</u>	<u>\$ 4,554,549</u>	<u>\$ 76,429,703</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, 2025

	Electric Fund	Water & Sewer Fund	Refuse Collection/ Landfill Fund	Total
Operating revenues:				
Charges for services	\$ 24,327,435	\$ 9,392,662	\$ 1,893,781	\$ 35,613,878
Miscellaneous	475,732	213,780	220,277	909,789
Total operating revenues	\$ 24,803,167	\$ 9,606,442	\$ 2,114,058	\$ 36,523,667
Operating expenses:				
Personnel services	\$ 1,255,232	\$ 2,085,808	\$ 361,122	\$ 3,702,162
Fringe benefits	757,782	847,186	172,849	1,777,817
Contractual services	347,250	8,250	98,315	453,815
Other charges	19,187,427	4,839,134	1,077,716	25,104,277
Depreciation	764,078	1,317,026	262,683	2,343,787
Total operating expenses	\$ 22,311,769	\$ 9,097,404	\$ 1,972,685	\$ 33,381,858
Operating income (loss)	\$ 2,491,398	\$ 509,038	\$ 141,373	\$ 3,141,809
Nonoperating revenues (expenses):				
Federal grants	\$ -	\$ 821,884	\$ -	\$ 821,884
State grants	-	39,312	-	39,312
Interest expense	(66,005)	(43,790)	(6,789)	(116,584)
Debt issuance cost	-	(58,090)	-	(58,090)
Total nonoperating revenues (expenses)	\$ (66,005)	\$ 759,316	\$ (6,789)	\$ 686,522
Income (loss) before capital contributions and transfers	\$ 2,425,393	\$ 1,268,354	\$ 134,584	\$ 3,828,331
Transfers in	\$ 313,317	\$ 150,033	\$ -	\$ 463,350
Transfers (out)	(903,560)	(1,301,618)	(336,626)	(2,541,804)
Change in net position	\$ 1,835,150	\$ 116,769	\$ (202,042)	\$ 1,749,877
Net position at beginning of year, as originally reported	\$ 18,638,728	\$ 21,334,768	\$ 1,056,051	\$ 41,029,547
Restatement	(59,835)	547,362	(8,700)	478,827
Net position at beginning of year, as restated	18,578,893	21,882,130	1,047,351	41,508,374
Net position at end of year	\$ 20,414,043	\$ 21,998,899	\$ 845,309	\$ 43,258,251

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, 2025

	Electric Fund	Water & Sewer Fund	Refuse Collection/ Landfill Fund	Total
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 24,474,087	\$ 9,321,109	\$ 2,117,059	\$ 35,912,255
Payments to suppliers and other operating expenses	(17,622,256)	(4,851,085)	(993,156)	(23,466,497)
Payments to employees (including fringe benefits)	(1,688,945)	(2,937,441)	(515,664)	(5,142,050)
Net cash provided by (used for) operating activities	\$ 5,162,886	\$ 1,532,583	\$ 608,239	\$ 7,303,708
Cash Flows From Capital and Related Financing Activities:				
Purchase and construction of capital assets	\$ (1,350,533)	\$ (1,738,194)	\$ (326,124)	\$ (3,414,851)
Issuance of water and sewer revenue bonds	-	263,090	-	263,090
Federal grants	-	821,884	-	821,884
State grants	-	39,312	-	39,312
Retirement of general obligation bonds	-	-	(45,000)	(45,000)
Retirement of revenue bonds	-	(731,711)	-	(731,711)
Retirement of capital financing obligations	(338,000)	(232,000)	-	(570,000)
Interest expense	(69,607)	(46,147)	(7,356)	(123,110)
Debt issuance costs	-	(58,090)	-	(58,090)
Net cash provided by (used for) capital and related financing activities	\$ (1,758,140)	\$ (1,681,856)	\$ (378,480)	\$ (3,818,476)
Cash Flows From Noncapital Financing Activities:				
Transfers	\$ (590,243)	\$ (1,151,585)	\$ (336,626)	\$ (2,078,454)
Net cash provided by (used for) noncapital financing activities	\$ (590,243)	\$ (1,151,585)	\$ (336,626)	\$ (2,078,454)
Net Increase (decrease) in cash and cash equivalents	\$ 2,814,503	\$ (1,300,858)	\$ (106,867)	\$ 1,406,778
Cash and cash equivalents at beginning of year, including restricted	1,393,101	6,403,250	2,307,512	10,103,863
Cash and cash equivalents at end of year, including restricted	<u>\$ 4,207,604</u>	<u>\$ 5,102,392</u>	<u>\$ 2,200,645</u>	<u>\$ 11,510,641</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 2,491,398	\$ 509,038	\$ 141,373	\$ 3,141,809
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	\$ 764,078	\$ 1,317,026	\$ 262,683	\$ 2,343,787
Changes in operating activities:				
(Increase) decrease in:				
Accounts receivable	(361,583)	(87,457)	3,001	(446,039)
Due from other governments	-	(193,855)	-	(193,855)
Inventory	104,886	(37,309)	-	67,577
Deferred outflows of resources	180,112	(1,373,800)	(10,188)	(1,203,876)
Increase (decrease) in:				
Accounts payable	1,807,535	33,608	105,026	1,946,169
Customer deposits	32,503	(4,021)	-	28,482
Net pension liability	(136,887)	273,699	(40,062)	96,750
Net OPEB liability - group life insurance	14,410	(1,517)	822	13,715
Total Pay-as-you-Go OPEB liability	11,378	16,229	3,278	30,885
Compensated absences	8,661	8,763	(301)	17,123
Landfill closure and post-closure liability	-	-	77,849	77,849
Deferred inflows of resources	246,395	1,072,179	64,758	1,383,332
Total adjustments	\$ 2,671,488	\$ 1,023,545	\$ 466,866	\$ 4,161,899
Net cash provided by (used for) operating activities	<u>\$ 5,162,886</u>	<u>\$ 1,532,583</u>	<u>\$ 608,239</u>	<u>\$ 7,303,708</u>
Schedule of noncash capital and related financing activities:				
Capital related payables	\$ -	\$ (174,289)	\$ -	\$ -

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 At June 30, 2025

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 1,314,548
Total assets	\$ 1,314,548
LIABILITIES	
Accounts payable	\$ 68,599
Total liabilities	\$ 68,599
NET POSITION	
Restricted for:	
Retiree benefits	\$ 484,195
Inmates	21,410
Piedmont Regional Criminal Justice Training Academy	472,171
Blue Ridge Regional Library	237,256
Dan River ASAP	30,917
Total net position	\$ 1,245,949
Total liabilities and net position	\$ 1,314,548

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, 2025

	Custodial Funds
ADDITIONS	
Retiree and City contributions	\$ 5,758,465
Interest income	9,502
Collections for inmates	283,456
Collections for Piedmont Regional Criminal Justice Training Academy	674,552
Collections for Blue Ridge Regional Library	2,066,053
Collections for Dan River ASAP	208,915
Total additions	<u>\$ 9,000,943</u>
DEDUCTIONS	
Retiree benefits	\$ 5,543,550
Disbursements for inmates	287,514
Disbursements for Piedmont Regional Criminal Justice Training Academy	584,622
Disbursements for Southern Virginia Recreation Facility Authority	-
Disbursements for Blue Ridge Regional Library	2,089,336
Disbursements for Dan River ASAP	242,922
Total deductions	<u>\$ 8,747,944</u>
Net increase (decrease) in fiduciary net position	<u>\$ 252,999</u>
Net position, beginning of year	<u>\$ 992,950</u>
Net position, end of year	<u><u>\$ 1,245,949</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, 2025

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

Government-wide and Fund Financial Statements: (Continued)

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The Economic Development Authority (EDA) board members are appointed by the City Council. Through the fiscal year ended June 30, 2025, the EDA has been funded mostly by City intergovernmental revenue. The financial information of the EDA is presented with the General Fund as a blended component unit for the fiscal year ended June 30, 2025.

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, 2025.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

C. Other Related Organizations

Included in the City's Financial Report

None

Excluded from the City's Financial Report

Blue Ridge Regional Library — The Blue Ridge Regional Library is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The counties of Henry and Patrick and the City provide the financial support for the Library and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Library's funding or has oversight responsibility over its operations. The City holds assets in a custodial capacity for the Library. These assets are accounted for as a custodial fund in 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, 2025 (Continued)

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

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

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

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

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

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

1. Governmental Funds

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

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

1. Governmental Funds: (Continued)

The City reports the following nonmajor governmental funds:

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

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

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

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

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

3. Fiduciary Funds – Custodial Funds – account for assets held by the City 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.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits and 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

F. Investments

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$2,130,932 at June 30, 2025, and is composed of the following:

<u>General Fund</u>	
Allowance for uncollectible property taxes	\$ 264,950
<u>Enterprise Funds</u>	
Allowance for uncollectible accounts:	
Electric Fund	\$ 1,283,093
Water Fund	226,986
Sewer Fund	233,460
Refuse Collection/Landfill Fund	122,443
Total allowance for uncollectible accounts – Enterprise funds	\$ 1,865,982
Total allowance for uncollectible accounts	\$ 2,130,932

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.

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

H. Inventory

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

I. Prepaid Items

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

J. Capital Assets

Capital assets 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.

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 (or life of the associated contract for lease and subscription assets):

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

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 represent 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, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB, 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.

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

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

N. Compensated Absences: (Continued)

Vacation

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

Sick Leave

The City's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the City and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

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." The 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, 2025 (Continued)

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

Q. Fund Balance: (Continued)

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

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

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

R. Net Position

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

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

S. Leases

A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. The City has no leases requiring recognition at June 30, 2025.

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). Subsequently, the lease liability is reduced by the principal portion of lease 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. Subsequently, 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). Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

T. Long-term Obligations

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

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

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

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

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

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

V. Adoption of Accounting Principles

During the current year, the County implemented GASB Statement No. 101, Compensated Absences. In addition to the value of unused vacation time owed to employees upon separation of employment, the County now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The change in accounting principle did not have a significant impact on the governmental activities but resulted in a restatement of net position for the component-unit school board as indicated in Note 20 to the financial statements.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

W. Upcoming Pronouncements

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of assets (lease assets, subscription assets, intangible right-to-use assets, and other intangible assets) to be disclosed separately in the capital asset note disclosures by major class of underlying asset. It also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Implementation Guide No. 2025-1, *Implementation Guidance Update—2025*, effective for fiscal years beginning after June 15, 2025.

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

Note 2—Stewardship, Compliance, and Accounting:

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

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

The City Grants Fund and Cafeteria Fund ended the fiscal year with expenditures in excess of budgeted appropriations of (\$950,020) and (\$92,830), respectively.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (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.

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

The City has not adopted a formal investment policy to address the various types of risks associated with investments.

Restricted cash and cash equivalents at June 30, 2025 consist of the following:

	Electric Fund	Water Fund	Total
Proprietary Funds:			
Utility customer deposits	\$ 409,529	\$ 46,517	\$ 456,046
Total	\$ 409,529	\$ 46,517	\$ 456,046

The component unit school board is part of the City’s pooled cash and has a net balance in the amount of \$4,457,967 at June 30, 2025.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 4—Due from Other Governments:

At June 30, 2025, the City has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 240,341	\$ -
State sales tax	-	251,011
Constitutional officer reimbursements	341,082	-
Children's services	296,380	-
Communication taxes	49,013	-
Brownfields grant - VBAF	189,500	-
Miscellaneous	11,485	113,207
Federal Government:		
Victim witness grants	16,400	-
Brownfields grants	264,002	-
EDA grants	575,818	-
DEQ grants	241,750	-
CDBG grants	331,501	-
Housing & redevelopment grants	357,870	-
VDOT grants	697,700	-
Miscellaneous grants	38,513	-
School fund grants	-	548,221
Total due from other governments	\$ <u>3,651,355</u>	\$ <u>912,439</u>

Note 5—Inventory:

At June 30, 2025, the City has inventory recorded in the various funds as follows:

	Governmental Activities	Business-type Activities
Expendable supplies	\$ 1,267,879	\$ 1,928,203
Land and building inventory held for resale:		
70 Commercial & residential lots held for resale	1,852,086	-
6 Commercial & residential buildings held for resale	221,586	-
Totals	\$ <u>3,341,551</u>	\$ <u>1,928,203</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2025:

Primary Government:

Governmental Activities:

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2025</u>
Capital assets, not being depreciated:				
Land	\$ 4,379,094	\$ -	\$ -	\$ 4,379,094
Construction in progress	<u>2,260,590</u>	<u>437,588</u>	<u>2,515,837</u>	<u>182,341</u>
Total capital assets not being depreciated	<u>\$ 6,639,684</u>	<u>\$ 437,588</u>	<u>\$ 2,515,837</u>	<u>\$ 4,561,435</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 7,931,855	\$ 2,550,731	\$ -	\$ 10,482,586
Equipment	13,722,864	1,565,975	-	15,288,839
Infrastructure	34,775,970	-	-	34,775,970
Jointly owned assets	<u>5,162,776</u>	<u>-</u>	<u>783,241</u>	<u>4,379,535</u>
Total capital assets being depreciated	<u>\$ 61,593,465</u>	<u>\$ 4,116,706</u>	<u>\$ 783,241</u>	<u>\$ 64,926,930</u>
Accumulated depreciation:				
Buildings and improvements	\$ 5,585,982	\$ 235,771	\$ -	\$ 5,821,753
Equipment	10,087,991	708,026	-	10,796,017
Infrastructure	31,002,288	156,710	-	31,158,998
Jointly owned assets	<u>4,398,795</u>	<u>109,558</u>	<u>-</u>	<u>4,508,353</u>
Total accumulated depreciation	<u>\$ 51,075,056</u>	<u>\$ 1,210,065</u>	<u>\$ -</u>	<u>\$ 52,285,121</u>
Total capital assets being depreciated, net	<u>\$ 10,518,409</u>	<u>\$ 2,906,641</u>	<u>\$ 783,241</u>	<u>\$ 12,641,809</u>
Governmental activities capital assets, net	<u>\$ 17,158,093</u>	<u>\$ 3,344,229</u>	<u>\$ 3,299,078</u>	<u>\$ 17,203,244</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 6—Capital Assets: (Continued)

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

	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2025</u>
Electric Fund:				
Capital assets being depreciated:				
Buildings and improvements	\$ 586,744	\$ -	\$ -	\$ 586,744
Equipment	4,020,535	278,391	-	4,298,926
Infrastructure	<u>41,110,304</u>	<u>1,072,142</u>	<u>-</u>	<u>42,182,446</u>
Total capital assets being depreciated	\$ <u>45,717,583</u>	\$ <u>1,350,533</u>	\$ <u>-</u>	\$ <u>47,068,116</u>
Accumulated depreciation:				
Buildings and improvements	\$ 586,744	\$ -	\$ -	\$ 586,744
Equipment	2,962,646	213,245	-	3,175,891
Infrastructure	<u>24,324,571</u>	<u>550,833</u>	<u>-</u>	<u>24,875,404</u>
Total accumulated depreciation	\$ <u>27,873,961</u>	\$ <u>764,078</u>	\$ <u>-</u>	\$ <u>28,638,039</u>
Total capital assets being depreciated, net	\$ <u>17,843,622</u>	\$ <u>586,455</u>	\$ <u>-</u>	\$ <u>18,430,077</u>
Electric fund capital assets, net	\$ <u>17,843,622</u>	\$ <u>586,455</u>	\$ <u>-</u>	\$ <u>18,430,077</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Water & Sewer Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 683,624	\$ -	\$ -	\$ 683,624
Construction in progress	<u>6,573,332</u>	<u>1,042,841</u>	<u>7,431,272</u>	<u>184,901</u>
Total capital assets not being depreciated	<u>\$ 7,256,956</u>	<u>\$ 1,042,841</u>	<u>\$ 7,431,272</u>	<u>\$ 868,525</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 3,224,633	\$ 277,184	\$ -	\$ 3,501,817
Equipment	5,013,407	666,494	-	5,679,901
Infrastructure	<u>54,575,622</u>	<u>7,008,648</u>	<u>-</u>	<u>61,584,270</u>
Total capital assets being depreciated	<u>\$ 62,813,662</u>	<u>\$ 7,952,326</u>	<u>\$ -</u>	<u>\$ 70,765,988</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,593,508	\$ 60,824	\$ -	\$ 2,654,332
Equipment	3,361,228	233,549	-	3,594,777
Infrastructure	<u>28,910,298</u>	<u>1,022,653</u>	<u>-</u>	<u>29,932,951</u>
Total accumulated depreciation	<u>\$ 34,865,034</u>	<u>\$ 1,317,026</u>	<u>\$ -</u>	<u>\$ 36,182,060</u>
Total capital assets being depreciated, net	<u>\$ 27,948,628</u>	<u>\$ 6,635,300</u>	<u>\$ -</u>	<u>\$ 34,583,928</u>
Water fund capital assets, net	<u><u>\$ 35,205,584</u></u>	<u><u>\$ 7,678,141</u></u>	<u><u>\$ 7,431,272</u></u>	<u><u>\$ 35,452,453</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 6—Capital Assets: (Continued)

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

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Refuse Collection/Landfill Fund:				
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	2,814,669	351,124	-	3,165,793
Total capital assets being depreciated	\$ 5,782,530	\$ 351,124	\$ -	\$ 6,133,654
Accumulated depreciation:				
Buildings and improvements	\$ 1,888,009	\$ 136,913	\$ -	\$ 2,024,922
Equipment	2,010,401	125,770	-	2,136,171
Total accumulated depreciation	\$ 3,898,410	\$ 262,683	\$ -	\$ 4,161,093
Total capital assets being depreciated, net	\$ 1,884,120	\$ 88,441	\$ -	\$ 1,972,561
Refuse collection/landfill fund capital assets, net	\$ 1,909,120	\$ 88,441	\$ 25,000	\$ 1,972,561

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2025</u>
Total Business-type Activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 683,624	\$ -	\$ -	\$ 683,624
Construction in progress	<u>6,598,332</u>	<u>1,042,841</u>	<u>7,456,272</u>	<u>184,901</u>
Total capital assets not being depreciated	<u>\$ 7,281,956</u>	<u>\$ 1,042,841</u>	<u>\$ 7,456,272</u>	<u>\$ 868,525</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,779,238	\$ 277,184	\$ -	\$ 7,056,422
Equipment	11,848,611	1,296,009	-	13,144,620
Infrastructure	<u>95,685,926</u>	<u>8,080,790</u>	<u>-</u>	<u>103,766,716</u>
Total capital assets being depreciated	<u>\$ 114,313,775</u>	<u>\$ 9,653,983</u>	<u>\$ -</u>	<u>\$ 123,967,758</u>
Accumulated depreciation:				
Buildings and improvements	\$ 5,068,261	\$ 197,737	\$ -	\$ 5,265,998
Equipment	8,334,275	572,561	-	8,906,836
Infrastructure	<u>53,234,869</u>	<u>1,573,489</u>	<u>-</u>	<u>54,808,358</u>
Total accumulated depreciation	<u>\$ 66,637,405</u>	<u>\$ 2,343,787</u>	<u>\$ -</u>	<u>\$ 68,981,192</u>
Total capital assets being depreciated, net	<u>\$ 47,676,370</u>	<u>\$ 7,310,196</u>	<u>\$ -</u>	<u>\$ 54,986,566</u>
Total Business-type capital assets, net	<u><u>\$ 54,958,326</u></u>	<u><u>\$ 8,353,037</u></u>	<u><u>\$ 7,456,272</u></u>	<u><u>\$ 55,855,091</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 6—Capital Assets: (Continued)**Discretely Presented Component Unit—School Board:**

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2025</u>
Discretely Presented Component Unit-School Board:				
Capital assets, not being depreciated:				
Land	\$ 47,172	\$ -	\$ -	\$ 47,172
Construction in Progress	<u>1,408,301</u>	<u>-</u>	<u>1,408,301</u>	<u>-</u>
Total capital assets being depreciated	<u>\$ 1,455,473</u>	<u>\$ -</u>	<u>\$ 1,408,301</u>	<u>\$ 47,172</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 8,197,449	\$ 1,458,075	\$ -	\$ 9,655,524
Equipment	4,181,846	471,297	-	4,653,143
Jointly owned assets	<u>18,573,982</u>	<u>783,241</u>	<u>-</u>	<u>19,357,223</u>
Total capital assets being depreciated	<u>\$ 30,953,277</u>	<u>\$ 2,712,613</u>	<u>\$ -</u>	<u>\$ 33,665,890</u>
Accumulated depreciation:				
Buildings and improvements	\$ 6,796,604	\$ 143,214	\$ -	\$ 6,939,818
Equipment	3,305,935	206,578	-	3,512,513
Jointly owned assets	<u>7,040,599</u>	<u>483,861</u>	<u>-</u>	<u>7,524,460</u>
Total accumulated depreciation	<u>\$ 17,143,138</u>	<u>\$ 833,653</u>	<u>\$ -</u>	<u>\$ 17,976,791</u>
Total capital assets being depreciated, net	<u>\$ 13,810,139</u>	<u>\$ 1,878,960</u>	<u>\$ -</u>	<u>\$ 15,689,099</u>
School Board capital assets, net	<u><u>\$ 15,265,612</u></u>	<u><u>\$ 1,878,960</u></u>	<u><u>\$ 1,408,301</u></u>	<u><u>\$ 15,736,271</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 6—Capital Assets: (Continued)

The following is a summary of depreciation expense for the year ended June 30, 2025:

Governmental activities:

General government administration	\$	143,703
Judicial administration		-
Public safety		437,928
Public works		381,238
Health and welfare		9,596
Education		109,558
Parks, recreation and cultural		73,705
Community development		54,337
Total Governmental activities	\$	<u>1,210,065</u>

Business-type activities:

Electric	\$	764,078
Water & sewer		1,317,026
Refuse collection / landfill		262,683
Total Business-type activities	\$	<u>2,343,787</u>
Component Unit School Board	\$	<u>349,792</u> *

* Note accumulated depreciation transferred from the Primary Government to the Component Unit School Board on Jointly owned assets totaled \$483,861 for the year ended June 30, 2025. When added to depreciation expense, the amount of \$833,653 agrees to total depreciation per the previous page.

Note 7—Interfund Transfers/Obligations:

Interfund transfers for the year ended June 30, 2025, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Activities:		
General Fund	\$ 8,721,689	\$ 5,915,015
Meals tax	-	1,964,561
Nonmajor governmental funds:		
Capital reserve	1,236,341	-
Proprietary Funds:		
Electric	313,317	903,560
Water & sewer	150,033	1,301,618
Refuse Collection/Landfill	-	336,626
Total	\$ <u>10,421,380</u>	\$ <u>10,421,380</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, 2025 (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, 2025:

	Balance July 1, 2024	GASB 101 Restatement	Issuances/ Additions	Retirements/ Deletions	Balance June 30, 2025	Due Within One Year
Governmental Activities Obligations:						
Incurred by City:						
Direct borrowings and placements:						
General obligation bonds	\$ 292,400	\$ -	\$ -	\$ 94,800	\$ 197,600	\$ 97,500
Capital financing activity	254,446	-	1,275,000	254,446	1,275,000	168,000
Compensated absences	651,654	876,401	275,549	130,331	1,673,273	167,327
Net pension liability	15,979,992	-	12,170,035	10,193,248	17,956,779	-
Net OPEB liability - group life insurance	654,907	-	197,785	277,338	575,354	-
Total OPEB liability - Pay-as-you-Go	2,276,492	-	258,017	141,902	2,392,607	-
Total incurred by City	<u>\$ 20,109,891</u>	<u>\$ 876,401</u>	<u>\$ 14,176,386</u>	<u>\$ 11,092,065</u>	<u>\$ 24,070,613</u>	<u>\$ 432,827</u>
Incurred by School Board:						
Direct borrowings and placements:						
VPA subsidy bonds	\$ 5,165,567	\$ -	\$ -	\$ 783,240	\$ 4,382,327	\$ 786,569
Total incurred by School Board	<u>\$ 5,165,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 783,240</u>	<u>\$ 4,382,327</u>	<u>\$ 786,569</u>
Total Governmental Activities Obligations	<u>\$ 25,275,458</u>	<u>\$ 876,401</u>	<u>\$ 14,176,386</u>	<u>\$ 11,875,305</u>	<u>\$ 28,452,940</u>	<u>\$ 1,219,396</u>
Business-type Activities Obligations:						
Direct borrowings and placements:						
General obligation bonds	\$ 290,000	\$ -	\$ -	\$ 45,000	\$ 245,000	\$ 46,000
Revenue bonds	16,196,208	-	263,090	731,711	15,727,587	732,197
Capital financing activity	4,234,000	-	-	570,000	3,664,000	638,000
Compensated absences	283,403	201,350	73,804	56,681	501,876	50,188
Net pension liability	4,195,017	-	4,250,785	4,154,035	4,291,767	-
Net OPEB liability - group life insurance	137,308	-	81,360	67,645	151,023	-
Total OPEB liability - Pay-as-you-Go	605,508	-	191,930	161,045	636,393	-
Landfill closure and post-closure costs	2,594,975	-	77,849	-	2,672,824	-
Total Business-type Activities Obligations	<u>\$ 28,536,419</u>	<u>\$ 201,350</u>	<u>\$ 4,938,818</u>	<u>\$ 5,786,117</u>	<u>\$ 27,890,470</u>	<u>\$ 1,466,385</u>
Total Primary Government	<u>\$ 53,811,877</u>	<u>\$ 1,077,751</u>	<u>\$ 19,115,204</u>	<u>\$ 17,661,422</u>	<u>\$ 56,343,410</u>	<u>\$ 2,685,781</u>

The City's General Fund is responsible for repaying the City's long-term obligation amounts.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	Governmental Activities Obligations				Business-type Activities Obligations					
	Direct Borrowings and Direct Placements				Direct Borrowings and Direct Placements					
	General		Capital		General		Revenue Bonds		Capital	
	Obligation Bonds		Financing Activity		Obligation Bonds		Revenue Bonds		Financing Activity	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 97,500	\$ 5,434	\$ 168,000	\$ 39,230	\$ 46,000	\$ 6,105	\$ 732,197	\$ 10,684	\$ 638,000	\$ 90,501
2027	100,100	2,753	169,000	37,962	48,000	4,813	732,687	10,194	494,000	74,743
2028	-	-	175,000	32,167	49,000	3,479	914,834	36,703	501,000	62,541
2029	-	-	181,000	26,166	50,000	2,118	916,238	35,298	530,000	50,166
2030	-	-	187,000	19,959	52,000	715	917,649	33,887	561,000	37,075
2031	-	-	194,000	13,546	-	-	919,068	32,469	592,000	23,218
2032	-	-	201,000	6,893	-	-	920,493	31,043	348,000	8,596
2033	-	-	-	-	-	-	921,926	29,611	-	-
2034	-	-	-	-	-	-	923,365	28,171	-	-
2034	-	-	-	-	-	-	924,812	26,724	-	-
2036	-	-	-	-	-	-	926,267	25,270	-	-
2037	-	-	-	-	-	-	927,728	23,808	-	-
2038	-	-	-	-	-	-	929,197	22,340	-	-
2039	-	-	-	-	-	-	930,673	20,863	-	-
2040	-	-	-	-	-	-	932,157	19,380	-	-
2041	-	-	-	-	-	-	933,647	17,889	-	-
2042	-	-	-	-	-	-	935,146	16,391	-	-
2043	-	-	-	-	-	-	936,652	14,885	-	-
2044	-	-	-	-	-	-	938,165	13,371	-	-
2045	-	-	-	-	-	-	939,686	11,850	-	-
2046	-	-	-	-	-	-	762,644	10,321	-	-
2047	-	-	-	-	-	-	360,444	8,921	-	-
2048	-	-	-	-	-	-	200,734	7,921	-	-
2049	-	-	-	-	-	-	201,739	6,916	-	-
2050	-	-	-	-	-	-	202,749	5,906	-	-
2051	-	-	-	-	-	-	203,764	4,891	-	-
2052	-	-	-	-	-	-	204,784	3,871	-	-
2053	-	-	-	-	-	-	205,809	2,846	-	-
2054	-	-	-	-	-	-	206,840	1,815	-	-
2055	-	-	-	-	-	-	207,873	780	-	-
Total	\$ 197,600	\$ 8,187	\$ 1,275,000	\$ 175,923	\$ 245,000	\$ 17,230	\$ 20,909,967	\$ 515,019	\$ 3,664,000	\$ 346,840
Less:										
Amount not yet drawn							(5,182,380)			
Outstanding balance 6/30/25							\$ 15,727,587			

*The amortization schedule is shown for the total amount of all outstanding issuances. At June 30, 2025, only \$263,089 of the total \$5,445,469 of Series 2025 Water and Sewer Revenue Bond had been drawn.

Year Ending June 30,	Governmental Activities Obligations	
	Direct Borrowings and Direct Placements	
	School Board Obligations	
	General Obligation Bonds	
	Principal	Interest
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	670,645	197,624
Total	\$ 4,382,327	\$ 2,201,662

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Incurred by City:

Direct Borrowings and Placements:

General Obligation Bonds:

\$1,250,000 general obligation bond, Series 2012 issued (for Municipal building renovations) January 26, 2012, maturing in various annual installments of \$76,300 to \$100,100 through February 1, 2027, interest payable semi-annually at 2.75% \$ 197,600

Total general obligations bonds \$ 197,600

Capital Financing Activity:

\$1,275,000 obligation for the purchase of major equipment, payable in various annual installments of \$168,000 to \$201,000 beginning April 1, 2026 through April 1, 2032, interest at 3.43% \$ 1,275,000

Total capital financing activity obligations \$ 1,275,000

Compensated absences \$ 1,673,273

Net pension liability \$ 17,956,779

Net OPEB liability - group life insurance \$ 575,354

Total Pay-as-you-Go OPEB liability \$ 2,392,607

Total Incurred by City \$ 24,070,613

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% \$ 358,463

\$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 4,023,864

Total general obligation bonds \$ 4,382,327

Total Incurred by the School Board \$ 4,382,327

Total Governmental Activities Obligations \$ 28,452,940

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Business-type Activities Obligations:

Direct Borrowings and Placements:

Revenue Bonds:

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

\$ 7,321,428

\$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%.

5,981,763

\$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, interest payable at 0.50% per annum.

2,161,306

\$5,445,469 water and sewer bonds series 2025 bonds maturing in various semi-annual installments of \$104,327 beginning July 1, 2027 through January 1, 2055, cost of funds payable at 0.50% per annum. At June 30, 2025, only \$263,090 of this bond had been drawn.

263,090

Total revenue bonds

\$ 15,727,587

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%

\$ 245,000

Total general obligation bonds

\$ 245,000

Capital Financing Activity:

\$7,425,000 obligation for the purchase of 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%

\$ 3,664,000

Total capital financing activity obligations

\$ 3,664,000

Compensated absences

\$ 501,876

Net pension liability

\$ 4,291,767

Net OPEB liability - group life insurance

\$ 151,023

Total Pay-as-you-Go OPEB liability

\$ 636,393

Landfill closure and postclosure costs

\$ 2,672,824

Total Business-type Activities Obligations

\$ 27,890,470

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Revenue bonds totaling \$15,727,587 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, 2025:

	Beginning Balance July 1, 2024	GASB 101 Restatement	Additions	Deletions	Ending Balance June 30, 2025	Amounts Due Within One Year
Compensated absences	\$ -	\$ 2,174,156	272,549	\$ -	\$ 2,446,705	\$ 244,671
Net pension liability - nonprofessional	1,602,593	-	481,430	513,831	1,570,192	-
Net pension liability - professional	12,776,518	-	5,640,671	6,202,910	12,214,279	-
Net OPEB liability - group life insurance	666,578	-	273,462	306,642	633,398	-
Net OPEB liability - health insurance credit	1,544,627	-	365,964	402,184	1,508,407	-
Total Pay-as-you-Go OPEB liability	241,000	-	256,000	33,000	464,000	-
Total	\$ 16,831,316	\$ 2,174,156	7,290,076	\$ 7,458,567	\$ 18,836,981	\$ 244,671

Note 9—Landfill Closure and Postclosure Costs:

State and federal laws and regulations require the City to place a final cover on each phase of its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. In accordance with Statement 18 of the Governmental Accounting Standards Board entitled *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the City reported a liability for a portion of these closure and postclosure care costs based on landfill capacity used. The \$2,672,824 reported as landfill closure and postclosure care liability at June 30, 2025 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 2025. 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, 2025 (Continued)

Note 10—Unearned and Deferred/Unavailable Revenue:

The following is a summary of unearned and deferred/unavailable revenue for the year ended June 30, 2025:

	Government- wide Statements Governmental Activities	Balance Sheet Governmental Funds
Deferred/Unavailable revenue:		
Unearned revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures	\$ -	\$ 2,101,189
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	76,281	76,281
Opioid settlement	-	851,064
Total deferred/unavailable revenue	<u>\$ 76,281</u>	<u>\$ 3,028,534</u>
Unearned revenue:		
Unused CSLFRF	\$ 21,526	\$ 21,526
Unused harvest grant	<u>25,000</u>	<u>25,000</u>
Total unearned revenue	<u>46,526</u>	<u>46,526</u>
Total	<u>\$ 122,807</u>	<u>\$ 3,075,060</u>

Note 11—Contingent Liabilities:

Federal programs in which the City and discretely presented component unit 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 guidance all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 12—Litigation:

At June 30, 2025, there were no matters of litigation involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to such entities.

Note 13—Risk Management:

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

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

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

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

Note 14—Pension Plan:

Plan Description

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 14—Pension Plan: (Continued)

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.
- 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 14—Pension Plan: (Continued)

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.

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, 2025 was 19.76% of covered employee compensation. This was the General Assembly approved rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 \$3,584,358 and \$3,176,471 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$42,576 for the City for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$40,470 for the City for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$4,257,612 for the for the year ended June 30, 2025.

Net Pension Liability

At June 30, 2025, the City reported a liability of \$22,248,544 for its proportionate share of the net pension liability. The City's net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024 and 2023 was used as a basis for allocation to determine the City's proportionate share of the net pension liability. At June 30, 2024 and 2023, the City's proportion was 94.66% and 94.31%, respectively.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 14—Pension Plan: (Continued)

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, 2023, 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, 2024.

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 14—Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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, 2023, 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, 2024.

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, 2025 (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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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, 2025 (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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	<u>100.00%</u>		<u>7.07%</u>
*Expected arithmetic nominal return			<u>7.07%</u>

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 14—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2024, 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 112% of the actuarially determined contribution rate. From July 1, 2024 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
City's proportionate share of the Net Pension Liability (Asset)	\$ 35,623,190	\$ 22,248,544	\$ 11,121,762

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

For the year ended June 30, 2025, the City recognized pension expense of \$2,399,948. 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, 2025 (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, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,301,257	\$ 50,823
Net difference between projected and actual earnings on pension plan investments	-	2,556,371
Changes in proportion	1,344,502	1,288,347
Employer contributions subsequent to the measurement date	3,584,358	-
Total	\$ 8,230,117	\$ 3,895,541

\$3,584,358 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Primary Government
2026	\$ (335,032)
2027	2,075,459
2028	(459,503)
2029	(530,706)
2030	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2024-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, 2025 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (nonprofessional)

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

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	63
Inactive members:	
Vested inactive members	3
Non-vested inactive members	7
Inactive members active elsewhere in VRS	16
Total inactive members	26
Active members	19
Total covered employees	108

Contributions

The Component Unit School Board’s contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2025 was 42.31% of covered employee compensation. This was the General Assembly approved rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 \$266,737 and \$222,391 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$804 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$632 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$80,406 for the year ended June 30, 2025.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (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, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2023	\$ 4,162,476	\$ 2,559,883	\$ 1,602,593
Changes for the year:			
Service cost	\$ 60,386	\$ -	\$ 60,386
Interest	272,163	-	272,163
Differences between expected and actual experience	126,922	-	126,922
Contributions - employer	-	222,391	(222,391)
Contributions - employee	-	28,119	(28,119)
Net investment income	-	243,091	(243,091)
Benefit payments, including refunds	(381,624)	(381,624)	-
Administrative expenses	-	(1,709)	1,709
Other changes	-	(20)	20
Net changes	\$ 77,847	\$ 110,248	\$ (32,401)
Balances at June 30, 2024	\$ 4,240,323	\$ 2,670,131	\$ 1,570,192

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Component Unit School Board (nonprofessional) Net Pension Liability	\$ 1,967,640	\$ 1,570,192	\$ 1,232,235

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

For the year ended June 30, 2025, the Component Unit School Board (nonprofessional) recognized pension expense of \$216,314. At June 30, 2025, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 78,944
Employer contributions subsequent to the measurement date	<u>266,737</u>	<u>-</u>
Total	<u>\$ 266,737</u>	<u>\$ 78,944</u>

\$266,737 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, 2025. 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>
2026	\$ (72,691)
2027	22,052
2028	(13,347)
2029	(14,958)
2030	-
Thereafter	-

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 14—Pension Plan: (Continued)

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, 2025 was 14.21% of covered employee compensation. This was the General Assembly approved rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 \$2,056,091 and \$2,194,637 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$21,397 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$16,439 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$2,139,677 for the year ended June 30, 2025.

In June 2023, the Commonwealth made a special contribution of approximately \$147.5 million to the VRS Teacher Retirement Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution. The school division's proportionate share is reflected in the Statement of Activities.

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

At June 30, 2025, the school division reported a liability of \$12,214,279 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the school division's proportion was 0.1301% as compared to 0.1264% at June 30, 2023.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2025, the school division recognized pension expense of \$873,209. 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, 2025, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,119,005	\$ 251,501
Change in assumptions	221,705	-
Net difference between projected and actual earnings on pension plan investments	-	1,681,303
Changes in proportion and differences between employer contributions and proportionate share of contributions	286,979	396,924
Employer contributions subsequent to the measurement date	<u>2,056,091</u>	<u>-</u>
Total	<u>\$ 4,683,780</u>	<u>\$ 2,329,728</u>

\$2,056,091 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, 2026. 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>	
2026	\$ (886,517)
2027	999,507
2028	287,339
2029	(102,367)
2030	-

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

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 standard rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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, 2025 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2024, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan	
Total Pension Liability	\$	60,622,260
Plan Fiduciary Net Position		51,235,326
Employers' Net Pension Liability (Asset)	\$	9,386,934
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		84.52%

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

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

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan				
Net Pension Liability	\$	22,691,737	\$ 12,214,279	\$ 3,633,575

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 14—Pension Plan: (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Primary Government and Component Unit School Board

Aggregate Pension Information

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plan: Primary Government	\$ <u>8,230,117</u>	\$ <u>3,895,541</u>	\$ <u>22,248,544</u>	\$ <u>2,399,948</u>
	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans: School Board Nonprofessional	\$ 266,737	\$ 78,944	\$ 1,570,192	\$ 216,314
School Board Professional	<u>4,683,780</u>	<u>2,329,728</u>	<u>12,214,279</u>	<u>873,209</u>
Totals	\$ <u>4,950,517</u>	\$ <u>2,408,672</u>	\$ <u>13,784,471</u>	\$ <u>1,089,523</u>

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

Plan Description

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

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

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 \$9,532 as of June 30, 2025.

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 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% x 60%) and the employer component was 0.47% (1.18% 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, 2025 was 0.47% of covered employee compensation. 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, 2023. 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 \$85,313 and \$90,250 for the years ended June 30, 2025 and June 30, 2024, respectively, for the City; \$2,963 and \$3,345 for the years ended June 30, 2025 and June 30, 2024, respectively, for the component unit school board (nonprofessional); and \$68,030 and \$95,695 for the years ended June 30, 2025 and June 30, 2024, respectively, for the component unit school board (professional).

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

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

At June 30, 2025, liabilities of \$726,376, \$26,894, and \$606,504 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, 2024 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, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employers' proportions were 0.06509%, 0.00241%, and 0.05435% as compared to 0.06606%, 0.00227%, and 0.05331% at June 30, 2023, for the City, component unit school board (nonprofessional), and component unit school board (professional), respectively.

For the year ended June 30, 2025, the participating employers recognized GLI OPEB expense of \$12,465, \$202, and (\$3,689), 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, 2025, 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	\$ 114,567	\$ 17,743	\$ 4,242	\$ 657	\$ 95,660	\$ 14,815
Net difference between projected and actual earnings on GLI OPEB plan investments	-	61,227	-	2,267	-	51,122
Change in assumptions	4,140	35,998	153	1,333	3,457	30,057
Changes in proportionate share	2,576	19,537	4,475	2,322	10,541	40,497
Employer contributions subsequent to the measurement date	85,313	-	2,963	-	68,030	-
Total	<u>\$ 206,596</u>	<u>\$ 134,505</u>	<u>\$ 11,833</u>	<u>\$ 6,579</u>	<u>\$ 177,688</u>	<u>\$ 136,491</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (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)

\$85,313, \$2,963, \$68,030, 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2026	\$ (35,319)	\$ (1,538)	\$ (43,343)
2027	10,418	1,114	3,205
2028	(947)	1,328	(3,450)
2029	4,575	716	5,447
2030	8,051	671	11,308
Thereafter	-	-	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023, 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, 2024. 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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

Actuarial Assumptions: (Continued)

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

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

Actuarial Assumptions: (Continued)

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

- 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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

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, 2024, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

Total GLI OPEB Liability	\$	4,196,055
Plan Fiduciary Net Position		3,080,133
GLI Net OPEB Liability (Asset)	\$	<u>1,115,922</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		73.41%

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

Net GLI OPEB Liability: (Continued)

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		Expected arithmetic nominal return*	7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

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, 2024, 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 113% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
City's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 1,129,610	\$ 726,376	\$ 400,616
Component Unit School Board (nonprofessional) proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 41,823	\$ 26,894	\$ 14,833
Component Unit School Board (professional) proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 943,192	\$ 606,504	\$ 334,504

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2024-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, 2025 (Continued)

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

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	20
Total inactive members	20
Active members	19
Total covered employees	39

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, 2025 was 2.29% of covered employee compensation. This was the General Assembly approved rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 \$14,437 and \$14,133 for the years ended June 30, 2025 and June 30, 2024, respectively.

Net HIC OPEB Liability

The Component Unit School Board (nonprofessional)'s net HIC OPEB liability was measured as of June 30, 2024. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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, 2025 (Continued)

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
Expected arithmetic nominal return*			7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th 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 7.14%, including expected inflation of 2.50%.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2024, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2024 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, 2023	\$ 41,487	\$ 21,792	\$ 19,695
Changes for the year:			
Service cost	\$ 694	\$ -	\$ 694
Interest	2,750	-	2,750
Differences between expected and actual experience	(286)	-	(286)
Contributions - employer	-	14,133	(14,133)
Net investment income	-	2,815	(2,815)
Benefit payments	(2,880)	(2,880)	-
Administrative expenses	-	(45)	45
Other changes	-	1	(1)
Net changes	\$ 278	\$ 14,024	\$ (13,746)
Balances at June 30, 2024	\$ 41,765	\$ 35,816	\$ 5,949

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (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	\$ 10,026	\$ 5,949	\$ 2,462

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, 2025, the Component Unit School Board (nonprofessional) recognized HIC Plan OPEB expense of \$(28,076). At June 30, 2025, 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	\$ -	\$ 15,817
Net difference between projected and actual earnings on HIC OPEB plan investments	-	647
Employer contributions subsequent to the measurement date	14,437	-
Total	\$ 14,437	\$ 16,464

\$14,437 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, 2026. 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 as follows:

Year Ended June 30	
2026	\$ (15,941)
2027	(127)
2028	(202)
2029	(194)
2030	-
Thereafter	-

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

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, 2025 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 \$175,079 and \$168,542 for the years ended June 30, 2025 and June 30, 2024, respectively.

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

At June 30, 2025, the school division reported a liability of \$1,502,458 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, 2024 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, 2023 and rolled forward to the measurement date of June 30, 2024. 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, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2025, the school division's proportion of the VRS Teacher Employee HIC Plan was 0.13001% as compared to 0.12590% at June 30, 2024.

For the year ended June 30, 2025, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$79,004. 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, 2025 (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, 2025, 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	\$ -	\$ 71,183
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	5,344
Change in assumptions	25,883	-
Change in proportion	43,639	103,586
Employer contributions subsequent to the measurement date	<u>175,079</u>	<u>-</u>
Total	<u>\$ 244,601</u>	<u>\$ 180,113</u>

\$175,079 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, 2026. 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>	
2026	\$ (39,589)
2027	(31,112)
2028	(23,972)
2029	(16,236)
2030	(3,303)
Thereafter	3,621

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

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, 2023, 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, 2024.

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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 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, 2024, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,478,105
Plan Fiduciary Net Position		322,457
Teacher Employee net HIC OPEB Liability (Asset)	\$	1,155,648
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		21.82%

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

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:

<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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	<u>100.00%</u>		<u>7.07%</u>
*Expected arithmetic nominal return			<u>7.07%</u>

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption. 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 7.10%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2024, 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, 2024 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	1,708,670	\$ 1,502,458	\$ 1,327,675

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 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at [http://www.varetire.org/Pdf/ Publications/ 2024-annual-report.pdf](http://www.varetire.org/Pdf/Publications/2024-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, 2025 (Continued)

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

Primary Government:

Plan Description

In addition to the pension and OPEB benefits previously described, 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, 2024 (measurement date), the following employees were covered by the benefit terms:

	Primary Government
Total active employees with coverage	50
Total retirees with coverage	30
Total	80

Contributions

The City holds assets accumulated for OPEB purposes in a custodial capacity. As required, the City reports these assets in a custodial fund. At June 30, 2024 the City held assets amounting to \$484,195 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.

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

Primary Government: (Continued)

Total OPEB Liability

The City’s total OPEB liability was measured as of July 1, 2024. The total OPEB liability was determined by an actuarial valuation as of July 1, 2024.

Actuarial Assumptions

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.09%
Salary Scale	2.50%
Healthcare Cost Trend Rates:	7.00% for fiscal year end 2025, decreasing 0.25% per year to an ultimate rate of 5.00%.
Mortality	<u>Employees:</u> PUB - 2010 Amount-Weighted General Mortality Table - Employees, projected using two-dimensional mortality improvement scale MP-2021 PUB - 2010 Amount-Weighted Safety Mortality Table - Employees, projected using two-dimensional mortality improvement scale MP-2021 <u>Retirees:</u> PUB - 2010 Amount-Weighted General Mortality Table - Retiree, projected using two-dimensional mortality improvement scale MP-2021 PUB - 2010 Amount-Weighted Safety Mortality Table - Retiree, projected using two-dimensional mortality improvement scale MP-2021 <u>Surviving Spouse:</u> PUB - 2010 Amount-Weighted Mortality Table - Contingent Survivor, 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 4.09% 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

Primary Government: (Continued)

Changes in Total OPEB Liability

		Primary Government Total OPEB Liability
Balances at July 1, 2023	\$	2,882,000
Changes for the year:		
Service cost		32,000
Interest		106,000
Difference between expected and actual experience		247,000
Changes in assumptions		85,000
Benefit payments		(323,000)
Net changes		147,000
Balances at June 30, 2024	\$	3,029,000

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 (3.09%) or one percentage point higher (5.09%) than the current discount rate:

Rate		
1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
\$ 3,200,000	\$ 3,029,000	\$ 2,868,000

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

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current healthcare cost trend rates:

Rates		
1% Decrease (6.00%)	Healthcare Cost Trend (7.00%)	1% Increase (8.00%)
\$ 2,864,000	\$ 3,029,000	\$ 3,207,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

Primary Government: (Continued)

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

For the year ended June 30, 2025, the City recognized OPEB expense in the amount of \$257,000. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 111,000	\$ -
Changes in assumptions	38,000	-
Employer contributions subsequent to the measurement date	229,607	-
Total	\$ 378,607	\$ -

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

Year Ended June 30	Primary Government
2025	\$ 149,000
2026	-
2027	-
2028	-
2029	-
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.

Component Unit School Board:

Plan Description

In addition to the pension and OPEB benefits previously described, 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

Component Unit School Board: (Continued)

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, 2024 (measurement date), the following employees were covered by the benefit terms:

	Component Unit School Board
Total active employees with coverage	28
Total retirees with coverage	4
Total	32

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.

Total OPEB Liability

The School Board’s total OPEB liability was measured as of July 1, 2024. The total OPEB liability was determined by an actuarial valuation as of July 1, 2024.

Actuarial Assumptions

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

Component Unit School Board: (Continued)

Actuarial Assumptions (Continued)

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.09%
Salary Scale	2.50%
Healthcare Cost Trend Rates:	7.00% for fiscal year end 2025, decreasing 0.25% per year to an ultimate rate of 5.00%.
Mortality	<u>Employees:</u> PUB - 2010 Amount-Weighted General Mortality Table - Employees with MP-2021 Projection Scale Fully Generational PUB - 2010 Amount-Weighted Teachers Mortality Table - Employees with MP-2021 Projection Scale Fully Generational <u>Retirees:</u> PUB - 2010 Amount-Weighted General Mortality Table - Retiree with MP-2021 Projection Scale Fully Generational PUB - 2010 Amount-Weighted Teachers Mortality Table - Retiree with MP-2021 Projection Scale Fully Generational <u>Surviving Spouse:</u> PUB - 2010 Amount-Weighted Mortality Table - Contingent Survivor with MP-2021 Projection Scale Fully Generational
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 4.09% 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 18—Pay-as-you-Go (OPEB Plan) – Medical Insurance: (Continued)**Component Unit School Board: (Continued)*****Changes in Total OPEB Liability***

	Component Unit School Board Total OPEB Liability
Balances at July 1, 2023	\$ 241,000
Changes for the year:	
Service cost	6,000
Interest	9,000
Changes of benefit terms	143,000
Difference between expected and actual experience	90,000
Changes in assumptions	8,000
Benefit payments	(33,000)
Net changes	<u>223,000</u>
Balances at June 30, 2024	<u>\$ 464,000</u>

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 (3.09%) or one percentage point higher (5.09%) than the current discount rate:

Rate		
1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
\$ 483,000	\$ 464,000	\$ 446,000

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower 6.00% or one percentage point higher 8.00% than the current healthcare cost trend rates:

Rates		
1% Decrease (6.00%)	Healthcare Cost Trend (7.00%)	1% Increase (8.00%)
\$ 449,000	\$ 464,000	\$ 481,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (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

For the year ended June 30, 2025, the School Board recognized OPEB expense in the amount of \$176,000. At June 30, 2025, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows.

	Component Unit School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,000	\$ 2,000
Changes in assumptions	5,000	-
Employer contributions subsequent to the measurement date	30,530	-
Total	<u>\$ 87,530</u>	<u>\$ 2,000</u>

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

Year Ended June 30	Component Unit School Board
2025	\$ 39,000
2026	16,000
2027	-
2028	-
2029	-
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, 2025 (Continued)

Note 19—Aggregate OPEB Information

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net/Total OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Plan (Note 15):				
City	\$ 206,596	\$ 134,505	\$ 726,376	\$ 12,465
City Stand-Alone Plan (Note 18)	378,607	-	3,029,000	257,000
Totals	<u>\$ 585,203</u>	<u>\$ 134,505</u>	<u>\$ 3,755,376</u>	<u>\$ 269,465</u>
	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Plan (Note 15):				
School Board Nonprofessional	\$ 11,833	\$ 6,579	\$ 26,894	\$ 202
School Board Professional	177,688	136,491	606,504	(3,689)
Nonprofessional Health Insurance Credit Plan (Note 16)	14,437	16,464	5,949	(28,076)
Teacher Health Insurance Credit Plan (Note 17)	244,601	180,113	1,502,458	79,004
School Stand-Alone Plan (Note 18)	87,530	2,000	464,000	176,000
Totals	<u>\$ 536,089</u>	<u>\$ 341,647</u>	<u>\$ 2,605,805</u>	<u>\$ 223,441</u>

Note 20—Surety Bonds:

	Amount
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
Sheila Clark, Treasurer and/or Richard Stanfield, 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	
Sheila Clark, 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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 21—Restatement of Beginning Balances:

Beginning balances were restated in the general fund and governmental activities as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Component-Unit School Board</u>
Net Position at June 30, 2024, as previously reported	\$ 11,340,728	41,029,547	3,719,063
Removal of expenditure accruals from prior year	-	680,180	-
Implementation of GASB 101	<u>(876,401)</u>	<u>(201,353)</u>	<u>(2,174,156)</u>
Net Position at June 30, 2024, as restated	<u>\$ 10,464,327</u>	<u>41,508,374</u>	<u>1,544,907</u>

Note 22—Subsequent Event:

In September through October 2025, the City received a total of \$10,528,434 from the Henry County Public Service Authority in settlement of litigation from conditions arising during prior fiscal years. These funds will be recognized as revenue in the fiscal year ending June 30, 2026.

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, 2025

	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 10,942,982	\$ 10,942,982	\$ 11,793,855	\$ 850,873
Other local taxes	3,810,350	9,900,350	9,947,733	47,383
Permits, privilege fees and regulatory licenses	79,800	79,800	104,949	25,149
Fines and forfeitures	87,550	87,550	287,278	199,728
Revenue from use of money and property	1,414,507	1,698,262	1,266,311	(431,951)
Charges for services	2,891,693	2,980,291	3,187,602	207,311
Miscellaneous	1,587,124	1,587,124	1,730,961	143,837
Recovered costs	668,365	668,365	959,810	291,445
Intergovernmental:				
Commonwealth	11,911,998	12,190,616	13,387,141	1,196,525
Federal	501,292	501,292	7,608,916	7,107,624
Total revenues	<u>\$ 33,895,661</u>	<u>\$ 40,636,632</u>	<u>\$ 50,274,556</u>	<u>\$ 9,637,924</u>
Expenditures:				
Current:				
General government administration	\$ 10,972,974	\$ 9,476,824	\$ 10,722,927	\$ (1,246,103)
Judicial administration	3,357,651	3,405,351	2,981,395	423,956
Public safety	14,159,207	14,517,893	11,098,733	3,419,160
Public works	5,140,088	8,027,099	5,290,828	2,736,271
Health and welfare	1,504,400	1,754,400	1,983,964	(229,564)
Education	5,562,472	5,562,472	5,309,544	252,928
Parks, recreation, and cultural	1,038,673	1,095,969	1,245,070	(149,101)
Community development	3,330,969	3,836,441	7,136,970	(3,300,529)
Total expenditures	<u>\$ 45,066,434</u>	<u>\$ 47,676,449</u>	<u>\$ 45,769,431</u>	<u>\$ 1,907,018</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (11,170,773)</u>	<u>\$ (7,039,817)</u>	<u>\$ 4,505,125</u>	<u>\$ 11,544,942</u>
Other financing sources (uses):				
Transfers in	\$ 5,953,758	\$ 5,226,204	\$ 8,721,689	\$ 3,495,485
Transfers (out)	<u>(3,311,612)</u>	<u>(4,493,702)</u>	<u>(5,915,015)</u>	<u>(1,421,313)</u>
Total other financing sources (uses)	<u>\$ 2,642,146</u>	<u>\$ 732,502</u>	<u>\$ 2,806,674</u>	<u>\$ 2,074,172</u>
Changes in fund balances	<u>\$ (2,545,566)</u>	<u>\$ (1,945,566)</u>	<u>\$ 7,311,799</u>	<u>\$ 13,619,114</u>
Fund balances at beginning of year	<u>2,545,566</u>	<u>1,945,566</u>	<u>11,177,894</u>	<u>9,232,328</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,489,693</u>	<u>\$ 22,851,442</u>

Schedule of Employer's Proportionate Share of the Net Pension Liability
VRS Pension Plans
For the Measurement Dates of June 30, 2015 through June 30, 2024

Date (1)	Employer's Proportion of the Net Pension Liability (NPL) (2)	Employer's Proportionate Share of the NPL (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - City Retirement Plan					
2024	94.66%	\$ 22,248,544	\$ 16,528,294	134.61%	81.11%
2023	94.31%	20,175,009	15,560,251	129.66%	81.80%
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%
Component Unit School Board (professional)					
2024	0.1301%	\$ 12,214,279	\$ 13,929,054	87.69%	84.52%
2023	0.1264%	12,776,518	12,551,770	101.79%	82.45%
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%

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, 2015 through June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total pension liability				
Service cost	\$ 60,386	\$ 54,184	\$ 35,466	\$ 34,400
Interest	272,163	276,665	268,409	266,430
Changes of assumptions	-	-	-	150,760
Differences between expected and actual experience	126,922	(38,273)	150,953	(49,151)
Benefit payments, including refunds of employee contributions	(381,624)	(349,318)	(353,156)	(464,015)
Net change in total pension liability	\$ 77,847	\$ (56,742)	\$ 101,672	\$ (61,576)
Total pension liability - beginning	4,162,476	4,219,218	4,117,546	4,179,122
Total pension liability - ending (a)	<u>\$ 4,240,323</u>	<u>\$ 4,162,476</u>	<u>\$ 4,219,218</u>	<u>\$ 4,117,546</u>
Plan fiduciary net position				
Contributions - employer	\$ 222,391	\$ 193,300	\$ 132,602	\$ 105,041
Contributions - employee	28,119	24,604	21,844	17,563
Net investment income	243,091	158,539	776	627,500
Benefit payments, including refunds of employee contributions	(381,624)	(349,318)	(353,156)	(464,015)
Administrative expense	(1,709)	(1,660)	(1,760)	(1,855)
Other	(20)	63	60	56
Net change in plan fiduciary net position	\$ 110,248	\$ 25,528	\$ (199,634)	\$ 284,290
Plan fiduciary net position - beginning	2,559,883	2,534,355	2,733,989	2,449,699
Plan fiduciary net position - ending (b)	<u>\$ 2,670,131</u>	<u>\$ 2,559,883</u>	<u>\$ 2,534,355</u>	<u>\$ 2,733,989</u>
School Division's net pension liability - ending (a) - (b)	\$ 1,570,192	\$ 1,602,593	\$ 1,684,863	\$ 1,383,557
Plan fiduciary net position as a percentage of the total pension liability	62.97%	61.50%	60.07%	66.40%
Covered payroll	\$ 617,159	\$ 535,232	\$ 479,965	\$ 380,908
School Division's net pension liability as a percentage of covered payroll	254.42%	299.42%	351.04%	363.23%

Exhibit 13

2020	2019	2018	2017	2016	2015
\$ 40,331	\$ 47,066	\$ 45,512	\$ 41,329	\$ 45,589	\$ 54,322
271,048	275,813	271,267	279,172	282,746	283,560
-	91,229	-	11,088	-	-
29,332	3,332	86,439	(100,879)	(43,743)	(5,140)
(354,242)	(329,941)	(346,627)	(340,625)	(330,699)	(358,029)
\$ (13,531)	\$ 87,499	\$ 56,591	\$ (109,915)	\$ (46,107)	\$ (25,287)
4,192,653	4,105,154	4,048,563	4,158,478	4,204,585	4,229,872
<u>\$ 4,179,122</u>	<u>\$ 4,192,653</u>	<u>\$ 4,105,154</u>	<u>\$ 4,048,563</u>	<u>\$ 4,158,478</u>	<u>\$ 4,204,585</u>
\$ 94,136	\$ 111,669	\$ 128,396	\$ 127,356	\$ 113,958	\$ 110,982
18,988	22,489	21,938	21,782	20,903	21,192
49,077	169,498	192,350	301,389	42,268	123,775
(354,242)	(329,941)	(346,627)	(340,625)	(330,699)	(358,029)
(1,856)	(1,856)	(1,789)	(1,891)	(1,784)	(1,895)
(55)	(106)	(166)	(262)	(19)	(23)
\$ (193,952)	\$ (28,247)	\$ (5,898)	\$ 107,749	\$ (155,373)	\$ (103,998)
2,643,651	2,671,898	2,677,796	2,570,047	2,725,420	2,829,418
<u>\$ 2,449,699</u>	<u>\$ 2,643,651</u>	<u>\$ 2,671,898</u>	<u>\$ 2,677,796</u>	<u>\$ 2,570,047</u>	<u>\$ 2,725,420</u>
\$ 1,729,423	\$ 1,549,002	\$ 1,433,256	\$ 1,370,767	\$ 1,588,431	\$ 1,479,165
58.62%	63.05%	65.09%	66.14%	61.80%	64.82%
\$ 413,317	\$ 488,976	\$ 476,016	\$ 470,771	\$ 442,484	\$ 426,964
418.43%	316.78%	301.09%	291.17%	358.98%	346.44%

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Schedule of Employer Contributions

VRS Pension Plans

For the Years Ended June 30, 2016 through June 30, 2025

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2025	\$ 3,584,358	\$ 3,584,358	\$ -	\$ 18,140,347	19.76%
2024	3,176,471	3,176,471	-	16,528,294	19.22%
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%
Component Unit School Board (nonprofessional)					
2025	\$ 266,737	\$ 266,737	\$ -	\$ 630,435	42.31%
2024	222,391	222,391	-	617,159	36.03%
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%
Component Unit School Board (professional)					
2025	\$ 2,056,091	\$ 2,056,091	\$ -	\$ 14,469,323	14.21%
2024	2,194,637	2,194,637	-	13,929,054	15.76%
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%

* Excludes contributions (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, 2025

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, 2023, valuations were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. 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, 2024

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
Primary Government:					
2024	0.06509%	\$ 726,376	\$ 16,712,719	4.35%	73.41%
2023	0.06606%	792,215	15,559,800	5.09%	69.30%
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%
Component Unit School Board (nonprofessional):					
2024	0.00241%	\$ 26,894	\$ 619,409	4.34%	73.41%
2023	0.00227%	27,224	535,232	5.09%	69.30%
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%
Component Unit School Board (professional):					
2024	0.05435%	\$ 606,504	\$ 17,721,236	3.42%	73.41%
2023	0.05331%	639,354	12,556,520	5.09%	69.30%
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, 2016 through June 30, 2025

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2025	\$ 85,313	\$ 85,313	\$ -	\$ 18,151,752	0.47%
2024	90,250	90,250	-	16,712,719	0.54%
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%
Component Unit School Board (nonprofessional)					
2025	\$ 2,963	\$ 2,963	\$ -	\$ 630,435	0.47%
2024	3,345	3,345	-	619,409	0.54%
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%
Component Unit School Board (professional)					
2025	\$ 68,030	\$ 68,030	\$ -	\$ 14,474,442	0.47%
2024	95,695	95,695	-	17,721,236	0.54%
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%

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2025

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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, 2024

	2024	2023	2022	2021	2020
Total HIC OPEB Liability					
Service cost	\$ 694	659	\$ 1,641	\$ 1,519	\$ -
Interest	2,750	7,659	6,031	5,422	-
Changes in benefit terms	-	-	-	-	80,326
Differences between expected and actual experience	(286)	(78,195)	(1,686)	-	-
Changes of assumptions	-	-	22,188	2,075	-
Benefit payments	(2,880)	(2,880)	(3,272)	-	-
Net change in total HIC OPEB liability	\$ 278	(72,757)	\$ 24,902	\$ 9,016	\$ 80,326
Total HIC OPEB Liability - beginning	41,487	114,244	89,342	80,326	-
Total HIC OPEB Liability - ending (a)	\$ 41,765	41,487	\$ 114,244	\$ 89,342	\$ 80,326
Plan fiduciary net position					
Contributions - employer	\$ 14,133	12,257	\$ 7,728	\$ 6,132	\$ -
Net investment income	2,815	1,121	(102)	892	-
Benefit payments	(2,880)	(2,880)	(3,272)	-	-
Administrator charges	(45)	(34)	(22)	(27)	-
Other	1	(1)	-	-	-
Net change in plan fiduciary net position	\$ 14,024	10,463	\$ 4,332	\$ 6,997	\$ -
Plan fiduciary net position - beginning	21,792	11,329	6,997	-	-
Plan fiduciary net position - ending (b)	\$ 35,816	21,792	\$ 11,329	\$ 6,997	\$ -
School's net HIC OPEB liability - ending (a) - (b)	\$ 5,949	19,695	\$ 102,915	\$ 82,345	\$ 80,326
Plan fiduciary net position as a percentage of the total HIC OPEB liability	85.76%	52.53%	9.92%	7.83%	0.00%
Covered payroll	\$ 617,159	535,232	\$ 479,965	\$ 380,908	\$ N/A
School's net HIC OPEB liability as a percentage of covered payroll	0.96%	3.68%	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, 2025

Date	Contributions in					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2025	\$ 14,437	\$ 14,437	\$ -	\$ 630,435		2.29%
2024	14,133	14,133	-	617,159		2.29%
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, 2025

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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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, 2024

Date	Employer's Proportion of the Net HIC OPEB Liability	Employer's Proportionate Share of the Net HIC OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
2024	0.13001%	\$ 1,502,458	\$ 13,929,054	10.7865%	21.82%
2023	0.12590%	1,524,932	12,551,770	12.1491%	17.90%
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, 2016 through June 30, 2025

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2025	\$ 175,079	\$ 175,079	\$ -	\$ 14,469,323	1.21%
2024	168,542	168,542	-	13,929,054	1.21%
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%

Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2025

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

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, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Primary Government:			
Total OPEB liability			
Service cost	\$ 32,000	\$ 33,000	\$ 51,000
Interest	106,000	114,000	65,000
Differences between expected and actual experience	247,000	(178,000)	396,000
Changes of assumptions	85,000	25,000	(418,000)
Benefit payments, including refunds of employee contributions	(323,000)	(342,000)	(372,000)
Other changes	-	-	-
Net change in total OPEB liability	<u>\$ 147,000</u>	<u>\$ (348,000)</u>	<u>\$ (278,000)</u>
Total OPEB liability - beginning	<u>2,882,000</u>	<u>3,230,000</u>	<u>3,508,000</u>
Total OPEB liability - ending	<u><u>\$ 3,029,000</u></u>	<u><u>\$ 2,882,000</u></u>	<u><u>\$ 3,230,000</u></u>
 Covered-employee payroll	 \$ 3,530,000	 \$ 4,322,000	 \$ 4,322,000
 City's total OPEB liability (asset) as a percentage of covered-employee payroll	 85.81%	 66.68%	 74.73%
 Component Unit School Board:			
Total OPEB liability			
Service cost	\$ 6,000	\$ 6,000	\$ 18,000
Interest	9,000	10,000	10,000
Changes of benefit terms	143,000	-	-
Differences between expected and actual experience	90,000	(8,000)	(198,000)
Changes of assumptions	8,000	1,000	(19,000)
Benefit payments, including refunds of employee contributions	(33,000)	(42,000)	(44,000)
Net change in total OPEB liability	<u>\$ 223,000</u>	<u>\$ (33,000)</u>	<u>\$ (233,000)</u>
Total OPEB liability - beginning	<u>241,000</u>	<u>274,000</u>	<u>507,000</u>
Total OPEB liability - ending	<u><u>\$ 464,000</u></u>	<u><u>\$ 241,000</u></u>	<u><u>\$ 274,000</u></u>
 Covered-employee payroll	 \$ 1,778,000	 \$ 1,959,000	 \$ 1,959,000
 School's total OPEB liability (asset) as a percentage of covered-employee payroll	 26.10%	 12.30%	 13.99%

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

Exhibit 25

<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 44,000	\$ 51,000	\$ 46,000	\$ 69,000	\$ 67,000
85,000	105,000	125,000	114,000	118,000
41,000	207,000	(14,000)	264,000	-
-	-	97,000	230,000	-
(394,000)	(331,000)	(397,000)	(375,000)	(241,000)
100,000	135,000	-	-	-
\$ (124,000)	\$ 167,000	\$ (143,000)	\$ 302,000	\$ (56,000)
3,632,000	3,465,000	3,608,000	3,306,000	3,362,000
\$ <u>3,508,000</u>	\$ <u>3,632,000</u>	\$ <u>3,465,000</u>	\$ <u>3,608,000</u>	\$ <u>3,306,000</u>
\$ 4,166,000	\$ 4,166,000	\$ 5,601,000	\$ 5,601,000	\$ 7,427,000
84.21%	87.18%	61.86%	64.42%	44.51%
\$ 16,000	\$ 19,000	\$ 19,000	\$ 23,000	\$ 22,000
12,000	21,000	24,000	25,000	26,000
-	-	-	-	-
3,000	(197,000)	19,000	38,000	-
14,000	17,000	18,000	(11,000)	-
(35,000)	(56,000)	(88,000)	(108,000)	(48,000)
\$ 10,000	\$ (196,000)	\$ (8,000)	\$ (33,000)	\$ -
497,000	693,000	701,000	734,000	734,000
\$ <u>507,000</u>	\$ <u>497,000</u>	\$ <u>693,000</u>	\$ <u>701,000</u>	\$ <u>734,000</u>
\$ 2,564,000	\$ 2,564,000	\$ 4,072,000	\$ 4,072,000	\$ 4,764,000
19.77%	19.38%	17.02%	17.22%	15.41%

Notes to Required Supplementary Information - City and School's OPEB
For the Year Ended June 30, 2025

Valuation Date: 7/1/2024
Measurement Date: 7/1/2024

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	4.09%
Salary Scale	2.50%
Healthcare Trend Rate	7.00% for fiscal year end 2025, decreasing 0.25% per year to an ultimate rate of 5.00%.
Mortality Rates	<u>Employees:</u> PUB - 2010 Amount-Weighted General Mortality Table - Employees, projected using two-dimensional mortality improvement scale MP-2021 PUB - 2010 Amount-Weighted Safety Mortality Table - Employees, projected using two-dimensional mortality improvement scale MP-2021 PUB - 2010 Amount-Weighted General Mortality Table - Employees with MP-2021 Projection Scale Fully Generational PUB - 2010 Amount-Weighted Teachers Mortality Table - Employees with MP-2021 Projection Scale Fully Generational <u>Retirees:</u> PUB - 2010 Amount-Weighted General Mortality Table - Retiree, projected using two-dimensional mortality improvement scale MP-2021 PUB - 2010 Amount-Weighted Safety Mortality Table - Retiree, projected using two-dimensional mortality improvement scale MP-2021 PUB - 2010 Amount-Weighted General Mortality Table - Retiree with MP-2021 Projection Scale Fully Generational PUB - 2010 Amount-Weighted Teachers Mortality Table - Retiree with MP-2021 Projection Scale Fully Generational <u>Surviving Spouse:</u> PUB - 2010 Amount-Weighted Mortality Table - Contingent Survivor, projected using two-dimensional mortality improvement scale MP-2021 PUB - 2010 Amount-Weighted Mortality Table - Contingent Survivor with MP-2021 Projection Scale Fully Generational

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, 2025

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Other financing sources (uses):				
Transfers (out)	\$ <u>(1,650,000)</u>	\$ <u>(1,650,000)</u>	\$ <u>(1,964,561)</u>	\$ <u>(314,561)</u>
Changes in fund balances	\$ <u>(1,650,000)</u>	\$ <u>(1,650,000)</u>	\$ <u>(1,964,561)</u>	\$ <u>(314,561)</u>
Fund balances at beginning of year	<u>1,650,000</u>	<u>1,650,000</u>	<u>1,964,561</u>	<u>314,561</u>
Fund balances at end of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Nonmajor Governmental Funds
Combining Balance Sheet
At June 30, 2025

	Special Revenue Funds	Capital Projects Fund	
	City Grants Fund	Capital Reserve Fund	Total
ASSETS			
Cash and cash equivalents	\$ 14,614	\$ 808,789	\$ 823,403
Due from other governments	<u>331,501</u>	<u>-</u>	<u>331,501</u>
Total assets	<u>\$ 346,115</u>	<u>\$ 808,789</u>	<u>\$ 1,154,904</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 29,914	\$ 39,180	\$ 69,094
Unearned revenue	-	25,000	25,000
Reconciled overdraft	<u>751,744</u>	<u>-</u>	<u>751,744</u>
Total liabilities	<u>\$ 781,658</u>	<u>\$ 64,180</u>	<u>\$ 845,838</u>
FUND BALANCES			
Assigned:			
Capital reserve fund	\$ -	\$ 744,609	\$ 744,609
Special revenue	<u>(435,543)</u>	<u>-</u>	<u>(435,543)</u>
Total fund balances	<u>\$ (435,543)</u>	<u>\$ 744,609</u>	<u>\$ 309,066</u>
Total liabilities and fund balances	<u>\$ 346,115</u>	<u>\$ 808,789</u>	<u>\$ 1,154,904</u>

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2025

	Special Revenue Fund	Capital Projects Fund	
	City Grants Fund	Capital Reserve Fund	Total
Revenues:			
Other local taxes			
Revenue from use of money and property	\$ -	\$ 7,884	\$ 7,884
Intergovernmental:			
Commonwealth	-	210,000	210,000
Federal	572,696	-	572,696
Total revenues	\$ 572,696	\$ 217,884	\$ 790,580
Expenditures:			
General government administration	\$ -	\$ 152,571	\$ 152,571
Public safety	-	927,642	927,642
Public works	-	489,310	489,310
Community development	1,008,239	-	1,008,239
Debt service:			
Principal retirement	-	1,132,488	1,132,488
Interest and fiscal charges	-	502,493	502,493
Total expenditures	\$ 1,008,239	\$ 3,204,504	\$ 4,212,743
Excess (deficiency) of revenues over (under) expenditures	\$ (435,543)	\$ (2,986,620)	\$ (3,422,163)
Other financing sources:			
Capital lease proceeds	\$ -	\$ 1,275,000	\$ 1,275,000
Transfers in	-	1,236,341	1,236,341
Total other financing sources	\$ -	\$ 2,511,341	\$ 2,511,341
Changes in fund balances	\$ (435,543)	\$ (475,279)	\$ (910,822)
Fund balances at beginning of year	-	1,219,888	1,219,888
Fund balances at end of year	\$ (435,543)	\$ 744,609	\$ 309,066

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, 2025

	Special Revenue Funds			
	City Grants Fund			
	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal	-	-	572,696	572,696
Total revenues	\$ -	\$ -	\$ 572,696	\$ 572,696
Expenditures:				
General government administration	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	-	-
Parks, recreation, and cultural	-	-	-	-
Community development	-	58,219	1,008,239	(950,020)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	\$ -	\$ 58,219	\$ 1,008,239	\$ (950,020)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (58,219)	\$ (435,543)	\$ (377,324)
Other financing sources (uses):				
Capital lease proceeds	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ -	\$ (58,219)	\$ (435,543)	\$ (377,324)
Fund balances at beginning of year	-	58,219	-	(58,219)
Fund balances at end of year	\$ -	\$ -	\$ (435,543)	\$ (435,543)

Exhibit 30

Capital Projects Fund			
Capital Reserve Fund			
Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ 7,884	\$ 7,884
-	-	-	-
\$ -	\$ 130,000	\$ 217,884	\$ 87,884
\$ -	\$ 85,000	\$ 152,571	\$ (67,571)
-	499,276	927,642	(428,366)
-	749,451	489,310	260,141
-	52,373	-	52,373
-	-	-	-
349,247	1,132,488	1,132,488	-
12,094	502,493	502,493	-
\$ 361,341	\$ 3,021,081	\$ 3,204,504	\$ -183,423
\$ (361,341)	\$ (2,891,081)	\$ (2,986,620)	\$ -95,539
\$ -	\$ 1,275,000	\$ 1,275,000	\$ -
1,236,341	2,435,985	1,236,341	(1,199,644)
\$ 1,236,341	\$ 3,710,985	\$ 2,511,341	\$ (1,199,644)
\$ 875,000	\$ 819,904	\$ (475,279)	\$ (1,295,183)
(875,000)	(819,904)	1,219,888	2,039,792
\$ -	\$ -	\$ 744,609	\$ 744,609

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Combining Statement of Fiduciary Net Position -
Custodial Funds
At June 30, 2025

	Insurance Trust Fund	Inmate Trust Fund	Police Academy Fund	Blue Ridge Regional Library Fund	Dan River ASAP Fund	Total
ASSETS						
Cash and cash equivalents	\$ 484,195	\$ 21,410	\$ 483,081	\$ 292,532	\$ 33,330	\$ 1,314,548
Total assets	<u>\$ 484,195</u>	<u>\$ 21,410</u>	<u>\$ 483,081</u>	<u>\$ 292,532</u>	<u>\$ 33,330</u>	<u>\$ 1,314,548</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 10,910	\$ 55,276	\$ 2,413	\$ 68,599
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,910</u>	<u>\$ 55,276</u>	<u>\$ 2,413</u>	<u>\$ 68,599</u>
NET POSITION						
Restricted for:						
Retiree benefits	\$ 484,195	\$ -	\$ -	\$ -	\$ -	\$ 484,195
Inmates	-	21,410	-	-	-	21,410
Piedmont Regional Criminal Justice Training Academy	-	-	472,171	-	-	472,171
Blue Ridge Regional Library	-	-	-	237,256	-	237,256
Dan River ASAP	-	-	-	-	30,917	30,917
Total net position	<u>\$ 484,195</u>	<u>\$ 21,410</u>	<u>\$ 472,171</u>	<u>\$ 237,256</u>	<u>\$ 30,917</u>	<u>\$ 1,245,949</u>
Total liabilities and net position	<u>\$ 484,195</u>	<u>\$ 21,410</u>	<u>\$ 483,081</u>	<u>\$ 292,532</u>	<u>\$ 33,330</u>	<u>\$ 1,314,548</u>

CITY OF MARTINSVILLE VIRGINIA

Custodial Funds

Combining Statement of Changes in Fiduciary Net Position - Custodial Funds

For the Year Ended June 30, 2025

	Insurance Trust Fund	Inmate Trust Fund	Police Academy Fund
ADDITIONS			
Retiree and City contributions	\$ 5,758,465	\$ -	\$ -
Interest income	189	-	-
Collections for inmates	-	283,456	-
Collections for Piedmont Regional Criminal Justice Training Academy	-	-	674,552
Collections for Blue Ridge Regional Library	-	-	-
Collections for Dan River ASAP	-	-	-
Total additions	<u>\$ 5,758,654</u>	<u>\$ 283,456</u>	<u>\$ 674,552</u>
DEDUCTIONS			
Retiree benefits	\$ 5,543,550	\$ -	\$ -
Disbursements for inmates	-	287,514	-
Disbursements for Piedmont Regional Criminal Justice Training Academy	-	-	584,622
Disbursements for Blue Ridge Regional Library	-	-	-
Disbursements for Dan River ASAP	-	-	-
Total deductions	<u>\$ 5,543,550</u>	<u>\$ 287,514</u>	<u>\$ 584,622</u>
Net increase (decrease) in fiduciary net position	<u>\$ 215,104</u>	<u>\$ (4,058)</u>	<u>\$ 89,930</u>
Net position, beginning of year	<u>\$ 269,091</u>	<u>\$ 25,468</u>	<u>\$ 382,241</u>
Net position, end of year	<u><u>\$ 484,195</u></u>	<u><u>\$ 21,410</u></u>	<u><u>\$ 472,171</u></u>

Exhibit 32

Blue Ridge Regional Library Fund	Dan River ASAP Fund	Total
\$ -	\$ -	\$ 5,758,465
9,313	-	9,502
-	-	283,456
-	-	674,552
2,066,053	-	2,066,053
-	208,915	208,915
<u>\$ 2,075,366</u>	<u>\$ 208,915</u>	<u>\$ 9,000,943</u>
\$ -	-	\$ 5,543,550
-	-	287,514
-	-	584,622
2,089,336	-	2,089,336
-	242,922	242,922
<u>\$ 2,089,336</u>	<u>\$ 242,922</u>	<u>\$ 8,747,944</u>
<u>\$ (13,970)</u>	<u>\$ (34,007)</u>	<u>252,999</u>
<u>\$ 251,226</u>	<u>\$ 64,924</u>	<u>\$ 992,950</u>
<u>\$ 237,256</u>	<u>\$ 30,917</u>	<u>\$ 1,245,949</u>

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Discretely Presented Component Unit—School Board

Combining Balance Sheet
Discretely Presented Component Unit -- School Board
At June 30, 2025

	School Operating Fund	School Cafeteria Fund	School Grants Fund	School Activity Fund	Totals
ASSETS					
Cash and cash equivalents	\$ 1,329,360	\$ 1,730,168	\$ 1,398,439	\$ 249,709	\$ 4,707,676
Accounts receivable	807	-	-	-	807
Due from other governments	364,219	50,558	497,662	-	912,439
Total assets	<u>\$ 1,694,386</u>	<u>\$ 1,780,726</u>	<u>\$ 1,896,101</u>	<u>\$ 249,709</u>	<u>\$ 5,620,922</u>
LIABILITIES					
Accounts payable	\$ 459,126	\$ 48,541	\$ 33,434	\$ -	\$ 541,101
Accrued liabilities	1,235,260	45,621	98,064	-	1,378,945
Total liabilities	<u>\$ 1,694,386</u>	<u>\$ 94,162</u>	<u>\$ 131,498</u>	<u>\$ -</u>	<u>\$ 1,920,046</u>
FUND BALANCES					
Nonspendable:					
School food program	\$ -	\$ 1,686,564	\$ -	\$ -	\$ 1,686,564
Education	-	-	1,310,225	249,709	1,559,934
Unassigned	-	-	454,378	-	454,378
Total fund balances	<u>\$ -</u>	<u>\$ 1,686,564</u>	<u>\$ 1,764,603</u>	<u>\$ 249,709</u>	<u>\$ 3,700,876</u>
Total liabilities and fund balances	<u>\$ 1,694,386</u>	<u>\$ 1,780,726</u>	<u>\$ 1,896,101</u>	<u>\$ 249,709</u>	<u>\$ 5,620,922</u>
Detailed explanation of adjustments from fund statements to government-wide Statement of Net Position:					
Total Fund balances, above				\$	3,700,876
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.					15,736,271
Items related to the measurement of the net pension, group life insurance OPEB, and health insurance OPEB liabilities are considered deferred outflows and will be amortized and recognized as expenses in future periods.					
Deferred outflows related to:					
Pension items				\$ 4,950,517	
OPEB items				<u>536,089</u>	5,486,606
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:					
Compensated absences					(2,446,705)
Net pension liability					(13,784,471)
Net OPEB liability - group life insurance					(633,398)
Net OPEB liability - health insurance credit					(1,508,407)
Total Pay-as-you-Go OPEB liability					<u>(464,000)</u>
Items related to the measurement of the net pension, group life insurance OPEB, and health insurance OPEB liabilities are considered deferred inflows and will be amortized and recognized as expenses in future periods.					
Deferred inflows related to:					
Pension items				\$ (2,408,672)	
OPEB items				<u>(341,647)</u>	(2,750,319)
Net position of General Government Activities				\$	<u>3,336,453</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2025

	School Operating Fund	School Cafeteria Fund	School Grants Fund	School Activity Fund	Total
Revenues:					
Revenue from use of money and property	\$ 1,002	\$ 34,524	\$ -	\$ -	\$ 35,526
Charges for services	-	136,283	-	-	136,283
Miscellaneous	42,322	-	-	260,550	302,872
Recovered costs	341,902	-	-	-	341,902
Intergovernmental:					
Local government	5,289,709	-	-	-	5,289,709
Commonwealth	22,130,978	45,965	-	-	22,176,943
Federal	1,672,713	1,818,320	3,107,988	-	6,599,021
Total revenues	<u>\$ 29,478,626</u>	<u>\$ 2,035,092</u>	<u>\$ 3,107,988</u>	<u>\$ 260,550</u>	<u>\$ 34,882,256</u>
Expenditures:					
Current:					
Education	<u>\$ 29,491,508</u>	<u>\$ 2,279,431</u>	<u>\$ 2,653,610</u>	<u>\$ 208,095</u>	<u>\$ 34,632,644</u>
Total expenditures	<u>\$ 29,491,508</u>	<u>\$ 2,279,431</u>	<u>\$ 2,653,610</u>	<u>\$ 208,095</u>	<u>\$ 34,632,644</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (12,882)</u>	<u>\$ (244,339)</u>	<u>\$ 454,378</u>	<u>\$ 52,455</u>	<u>\$ 249,612</u>
Other financing sources (uses):					
Insurance recoveries	<u>\$ 12,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,882</u>
Total other financing sources (uses)	<u>\$ 12,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,882</u>
Changes in fund balances	<u>\$ -</u>	<u>\$ (244,339)</u>	<u>\$ 454,378</u>	<u>\$ 52,455</u>	<u>\$ 262,494</u>
Fund balances at beginning of year	<u>-</u>	<u>1,930,903</u>	<u>1,310,225</u>	<u>197,254</u>	<u>3,438,382</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ 1,686,564</u></u>	<u><u>\$ 1,764,603</u></u>	<u><u>\$ 249,709</u></u>	<u><u>\$ 3,700,876</u></u>

Discretely Presented Component Unit - School Board
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2025

Net changes in fund balances - total governmental funds	\$	262,494	
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	\$	521,071	
Depreciation expense		<u>(833,653)</u>	(312,582)
Transfer of joint tenancy assets from Primary Government to Component Unit School Board			783,241
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	\$	(216,279)	
OPEB items		<u>117,794</u>	(98,485)
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	\$	(272,549)	
Change in deferred outflows related to:			
Pension items		854,943	
OPEB items		133,444	
Change in net pension liability		594,640	
Change in net OPEB liability - group life insurance		33,180	
Change in net OPEB liability - health insurance credit		36,220	
Change in total Pay-as-you-Go OPEB liability		<u>(223,000)</u>	<u>1,156,878</u>
Changes in net position of governmental activities	\$		<u><u>1,791,546</u></u>

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, 2025

	School Operating Fund				School Cafeteria Fund			
	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:								
Revenue from use of money and property	\$ -	\$ -	\$ 1,002	\$ 1,002	\$ 50,000	\$ 50,000	\$ 34,524	\$ (15,476)
Charges for services	-	-	-	-	195,000	195,000	136,283	(58,717)
Miscellaneous	-	-	42,322	42,322	-	-	-	-
Recovered costs	285,000	285,000	341,902	56,902	-	-	-	-
Intergovernmental:								
Local government	5,542,637	5,542,637	5,289,709	(252,928)	-	-	-	-
Commonwealth	22,185,336	22,328,231	22,130,978	(197,253)	150,601	150,601	45,965	(104,636)
Federal	37,300	1,466,707	1,672,713	206,006	1,635,000	1,635,000	1,818,320	183,320
Total revenues	\$ 28,050,273	\$ 29,622,575	\$ 29,478,626	\$ (143,949)	\$ 2,030,601	\$ 2,030,601	\$ 2,035,092	\$ 4,491
Expenditures:								
Current:								
Education	\$ 28,050,273	\$ 30,317,056	\$ 29,491,508	\$ 825,548	\$ 2,186,601	\$ 2,186,601	\$ 2,279,431	\$ (92,830)
Total expenditures	\$ 28,050,273	\$ 30,317,056	\$ 29,491,508	\$ 825,548	\$ 2,186,601	\$ 2,186,601	\$ 2,279,431	\$ (92,830)
Excess (deficiency) of revenues over expenditures	\$ -	\$ (694,481)	\$ (12,882)	\$ 681,599	\$ (156,000)	\$ (156,000)	\$ (244,339)	\$ (88,339)
Other financing sources (uses):								
Insurance recoveries	\$ -	\$ -	\$ 12,882	\$ 12,882	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ 12,882	\$ 12,882	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ -	\$ (694,481)	\$ -	\$ 694,481	\$ (156,000)	\$ (156,000)	\$ (244,339)	\$ (88,339)
Fund balances at beginning of year	-	694,481	-	(694,481)	156,000	156,000	1,930,903	1,774,903
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,686,564	\$ 1,686,564

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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	260,550	260,550
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,084,908	-	-	-	-	-	-
2,266,944	-	3,107,988	3,107,988	-	-	-	-
\$ 2,266,944	\$ 1,084,908	\$ 3,107,988	\$ 3,107,988	\$ -	\$ -	\$ 260,550	\$ 260,550
\$ 2,396,944	\$ 1,084,908	\$ 2,653,610	\$ (1,568,702)	\$ -	\$ -	\$ 208,095	\$ (208,095)
\$ 2,396,944	\$ 1,084,908	\$ 2,653,610	\$ (1,568,702)	\$ -	\$ -	\$ 208,095	\$ (208,095)
\$ (130,000)	\$ -	\$ 454,378	\$ 1,539,286	\$ -	\$ -	\$ 52,455	\$ 52,455
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ (130,000)	\$ -	\$ 454,378	\$ 1,539,286	\$ -	\$ -	\$ 52,455	\$ 52,455
130,000	-	1,310,225	1,310,225	-	-	197,254	197,254
\$ -	\$ -	\$ 1,764,603	\$ 2,849,511	\$ -	\$ -	\$ 249,709	\$ 249,709

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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, 2025

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 7,860,482	\$ 7,860,482	\$ 8,222,547	\$ 362,065
Personal property taxes	1,534,500	1,534,500	1,741,199	206,699
Business equipment	1,055,000	1,055,000	1,252,331	197,331
Machinery and tools taxes	155,000	155,000	154,747	(253)
Penalties	148,000	148,000	211,878	63,878
Interest and costs	190,000	190,000	211,153	21,153
Total general property taxes	\$ 10,942,982	\$ 10,942,982	\$ 11,793,855	\$ 850,873
Other local taxes:				
Local sales and use taxes	\$ 2,801,500	\$ 2,801,500	\$ 2,687,807	\$ (113,693)
Consumers' utility taxes	576,800	576,800	510,313	(66,487)
Business license tax	2,255,000	2,255,000	2,295,250	40,250
Franchise license taxes	20,000	20,000	10,000	(10,000)
Motor vehicle licenses	340,000	340,000	374,093	34,093
Bank franchise tax	525,000	525,000	676,165	151,165
Taxes on recordation and wills	80,000	80,000	135,196	55,196
Grantor tax	32,000	32,000	23,697	(8,303)
Cigarette tax	155,000	155,000	122,192	(32,808)
Rental tax	50	50	1	(49)
E911 tax	-	-	9,200	9,200
Transient room tax	70,000	70,000	128,632	58,632
Meals tax	(3,045,000)	3,045,000	2,975,187	(69,813)
Total other local taxes	\$ 3,810,350	\$ 9,900,350	\$ 9,947,733	\$ 47,383
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 3,700	\$ 3,700	\$ 2,991	\$ (709)
Other permits and licenses	76,100	76,100	101,958	25,858
Total permits, privilege fees and regulatory licenses	\$ 79,800	\$ 79,800	\$ 104,949	\$ 25,149
Fines and Forfeitures:				
Court fines and forfeitures	\$ 80,000	\$ 80,000	\$ 118,391	\$ 38,391
Traffic fines and forfeitures	-	-	158,920	158,920
Other fines and forfeitures	7,550	7,550	9,967	2,417
Total fines and forfeitures	\$ 87,550	\$ 87,550	\$ 287,278	\$ 199,728

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

For the Year Ended June 30, 2025 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 525,000	\$ 525,000	\$ 441,289	\$ (83,711)
Revenue from use of property	889,507	1,173,262	825,022	(348,240)
Total revenue from use of money and property	\$ 1,414,507	\$ 1,698,262	\$ 1,266,311	\$ (431,951)
Charges for services:				
Sheriff fees	\$ 5,000	\$ 5,000	\$ 3,625	\$ (1,375)
Courthouse maintenance fees	4,500	4,500	6,626	2,126
Court appointed attorney fees	4,500	4,500	2,366	(2,134)
Court house security fees	22,000	22,000	35,324	13,324
Ambulance Fees	760,000	760,000	999,013	239,013
Document reproduction fee	1,500	1,500	1,275	(225)
Commonwealth attorney fees	4,000	4,000	3,968	(32)
Other public safety fees	6,550	6,550	4,433	(2,117)
Telecom services	2,018,143	2,106,741	1,982,633	(124,108)
Other charges for services	36,500	36,500	148,339	111,839
Total charges for services	\$ 2,891,693	\$ 2,980,291	\$ 3,187,602	\$ 207,311
Miscellaneous:				
Payment in lieu of tax	\$ 1,537,624	\$ 1,537,624	\$ 1,420,599	\$ (117,025)
Opioid settlement and related grants	-	-	94,981	94,981
Other miscellaneous revenue	49,500	49,500	215,381	165,881
Total miscellaneous	\$ 1,587,124	\$ 1,587,124	\$ 1,730,961	\$ 143,837
Recovered costs:				
WW Moore	\$ 85,000	\$ 85,000	\$ 86,160	\$ 1,160
SSI / LIDS	6,500	6,500	7,700	1,200
Circuit court and J&DR court	5,500	5,500	7,426	1,926
Demolition	5,000	5,000	708	(4,292)
Advance / recovered cost	225,000	225,000	224,385	(615)
Health department	6,500	6,500	13,144	6,644
Juror and witness	10,000	10,000	15,200	5,200
Sheriff	-	-	9,084	9,084
Medical co-pay reimbursement	6,000	6,000	3,167	(2,833)
Treasurer	25,000	25,000	21,216	(3,784)
Harvest Foundation	-	-	70,000	70,000
Project lifesaver	1,000	1,000	225	(775)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

For the Year Ended June 30, 2025 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Recovered costs: (Continued)				
Traffic reimbursement	\$ 500	\$ 500	\$ 1,721	\$ 1,221
Telecom recovered costs	172,940	172,940	356,795	183,855
Public safety	60,000	60,000	17,441	(42,559)
Inmate fees	-	-	55,405	55,405
Crisis intervention team	30,000	30,000	39,347	9,347
Social services	23,525	23,525	25,486	1,961
Program income	1,200	1,200	700	(500)
Senior citizens - transportation	1,100	1,100	900	(200)
Fiscal agent fees - regional library	3,600	3,600	3,600	-
Total recovered costs	\$ 668,365	\$ 668,365	\$ 959,810	\$ 291,445
Total revenue from local sources	\$ 21,482,371	\$ 27,944,724	\$ 29,278,499	\$ 1,333,775
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 8,400	\$ 8,400	\$ 9,531	\$ 1,131
PPTRA	656,066	656,066	626,428	(29,638)
Communications tax	600,000	600,000	588,478	(11,522)
Auto rental tax	15,000	15,000	46,283	31,283
Total noncategorical aid	\$ 1,279,466	\$ 1,279,466	\$ 1,270,720	\$ (8,746)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 680,195	\$ 680,195	\$ 688,785	\$ 8,590
Sheriff	2,716,596	2,716,596	2,706,787	(9,809)
Commissioner of the Revenue	170,477	170,477	170,375	(102)
Treasurer	150,462	150,462	150,314	(148)
Registrar/electoral board	71,000	71,000	72,779	1,779
Clerk of the circuit court	370,683	370,683	405,922	35,239
Total shared expenses	\$ 4,159,413	\$ 4,159,413	\$ 4,194,962	\$ 35,549

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2025 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Senior citizens	\$ -	\$ -	\$ 10,501	\$ 10,501
Confiscated assets	-	-	13,838	13,838
Victim witness	33,888	33,888	34,232	344
House Bill # 599 - police	1,072,231	1,072,231	1,121,047	48,816
EMS four for life	10,000	27,061	13,201	(13,860)
Fire grant	-	86,631	69,110	(17,521)
Street maintenance	4,442,000	4,616,926	4,616,926	-
State highway projects	-	-	697,700	697,700
Jail per diem	215,000	215,000	286,089	71,089
Children's services	700,000	700,000	800,978	100,978
Brownfields grant	-	-	189,500	189,500
Other categorical aid	-	-	68,337	68,337
Total other categorical aid	\$ 6,473,119	\$ 6,751,737	\$ 7,921,459	\$ 1,169,722
Total categorical aid	\$ 10,632,532	\$ 10,911,150	\$ 12,116,421	\$ 1,205,271
Total revenue from the Commonwealth	\$ 11,911,998	\$ 12,190,616	\$ 13,387,141	\$ 1,196,525
Revenue from the federal government:				
Categorical aid:				
Victim witness	\$ 79,071	\$ 79,071	\$ 66,278	\$ (12,793)
DMV grant - police	9,000	9,000	19,069	10,069
Senior citizens	20,000	20,000	34,478	14,478
Viper overtime grant	3,000	3,000	3,124	124
Bulletproof vest grant	-	-	23,318	23,318
Brownfields grant	-	-	264,002	264,002
FEMA	7,500	7,500	7,500	-
Coronavirus state and local fiscal recovery funds	-	-	6,689,326	6,689,326
QSCB tax credit	372,721	372,721	372,721	-
Other categorical aid	10,000	10,000	129,100	119,100
Total categorical aid	\$ 501,292	\$ 501,292	\$ 7,608,916	\$ 7,107,624
Total revenue from the Federal Government	\$ 501,292	\$ 501,292	\$ 7,608,916	\$ 7,107,624
Total General Fund	\$ 33,895,661	\$ 40,636,632	\$ 50,274,556	\$ 9,637,924
Special Revenue Funds:				
City Grants Fund:				
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ -	\$ 572,696	\$ 572,696
Total revenue from the Federal Government	\$ -	\$ -	\$ 572,696	\$ 572,696
Total City Grants Fund	\$ -	\$ -	\$ 572,696	\$ 572,696

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2025 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Funds:				
Capital Reserve Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 7,884	\$ 7,884
Total revenue from local sources	\$ -	\$ -	\$ 7,884	\$ 7,884
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Operation Ceasefire grant	\$ -	\$ 130,000	\$ 210,000	\$ 80,000
Total revenue from the Commonwealth	\$ -	\$ 130,000	\$ 210,000	\$ 80,000
Total Capital Reserve Fund	\$ -	\$ 130,000	\$ 217,884	\$ 87,884
Total Capital Projects Funds	\$ -	\$ 130,000	\$ 217,884	\$ 87,884
Total Revenues -- Primary Government	<u>\$ 33,895,661</u>	<u>\$ 40,766,632</u>	<u>\$ 51,065,136</u>	<u>\$ 10,298,504</u>
Component Unit-School Board:				
Governmental Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ -	\$ 1,002	\$ 1,002
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ -	\$ 42,322	\$ 42,322
Recovered costs:				
Recovered costs	\$ 285,000	\$ 285,000	\$ 341,902	\$ 56,902
Total revenue from local sources	\$ 285,000	\$ 285,000	\$ 385,226	\$ 100,226
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Martinsville, Virginia	\$ 5,542,637	\$ 5,542,637	\$ 5,289,709	\$ (252,928)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

For the Year Ended June 30, 2025 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Component Unit-School Board: (Continued)				
Governmental Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,584,376	\$ 2,584,376	\$ 2,680,460	\$ 96,084
Basic school aid	8,267,451	8,267,451	7,942,040	(325,411)
Share of fringe benefits - FICA	487,234	487,234	474,696	(12,538)
Share of fringe benefits - VRS	1,048,013	1,048,013	1,021,043	(26,970)
English as a second language	220,913	220,913	320,723	99,810
Group life insurance benefits	30,206	30,206	29,429	(777)
Regional tuition special education	391,268	391,268	309,598	(81,670)
Early reading intervention	115,784	115,784	86,011	(29,773)
Vocational SOQ payments	267,913	267,913	261,019	(6,894)
Special education - basic	1,025,687	1,025,687	1,051,051	25,364
At risk students	4,387,819	4,387,819	2,883,215	(1,504,604)
Homebound education	4,971	4,971	5,247	276
Remedial education	233,081	233,081	134,530	(98,551)
Reduced K-3	700,027	700,027	725,501	25,474
Preschool initiative	511,245	511,245	721,212	209,967
Textbooks	210,312	210,312	204,900	(5,412)
Technology	154,000	154,000	-	(154,000)
Other state funds	1,545,036	1,687,931	3,280,303	1,592,372
Total categorical aid	\$ 22,185,336	\$ 22,328,231	\$ 22,130,978	\$ (197,253)
Total revenue from the Commonwealth	\$ 22,185,336	\$ 22,328,231	\$ 22,130,978	\$ (197,253)
Revenue from the federal government:				
Categorical aid:				
Coronavirus state and local fiscal recovery funds	\$ -	\$ -	\$ 49,813	\$ 49,813
Education stabilization fund	-	1,429,407	1,545,096	115,689
Other federal categorical aid	37,300	37,300	77,804	40,504
Total categorical aid	\$ 37,300	\$ 1,466,707	\$ 1,672,713	\$ 206,006
Total revenue from the federal government	\$ 37,300	\$ 1,466,707	\$ 1,672,713	\$ 206,006
Total School Operating Fund	\$ 28,050,273	\$ 29,622,575	\$ 29,478,626	\$ (143,949)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2025 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive Negative
Component Unit-School Board: (Continued)				
Governmental Funds: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 34,524	\$ (15,476)
Charges for services:				
Cafeteria sales	\$ 195,000	\$ 195,000	\$ 136,283	\$ (58,717)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 150,601	\$ 150,601	\$ 45,965	\$ (104,636)
Revenue from the federal government:				
Categorical aid:				
School food	\$ 1,635,000	\$ 1,635,000	\$ 1,818,320	\$ 183,320
Total School Cafeteria Fund	\$ 2,030,601	\$ 2,030,601	\$ 2,035,092	\$ 4,491
School Grants Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
All In VA Initiative	\$ -	\$ 1,084,908	\$ -	\$ (1,084,908)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,249,632	\$ -	\$ 1,890,747	\$ 1,890,747
Title II - teacher quality	160,920	-	135,682	135,682
Title III - language acquisition grant	15,925	-	19,624	19,624
Title IV - student support and academic enrichment	94,507	-	172,830	172,830
Title VI - rural education	56,368	-	63,767	63,767
Special education - flow through	598,800	-	742,576	742,576
Special education - preschool	8,064	-	15,569	15,569
Perkins vocational education	82,728	-	67,193	67,193
Total revenue from the federal government	\$ 2,266,944	\$ -	\$ 3,107,988	\$ 3,107,988
Total School Grants Fund	\$ 2,266,944	\$ 1,084,908	\$ 3,107,988	\$ 2,023,080
School Activity Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ -	\$ 260,550	\$ 260,550
Total revenue from local sources	\$ -	\$ -	\$ 260,550	\$ 260,550
Total School Activity Fund	\$ -	\$ -	\$ 260,550	\$ 260,550
Total Revenues--Component Unit - School Board	\$ 32,347,818	\$ 32,738,084	\$ 34,882,256	\$ 2,144,172

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2025

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
General Government Administration:				
Legislative:				
City council	\$ 114,025	\$ 161,025	\$ 122,201	\$ 38,824
General and Financial Administration:				
City attorney	\$ 294,679	\$ 294,679	\$ 333,107	\$ (38,428)
City manager's office	571,677	740,605	529,950	210,655
Assistant city manager	-	-	(5,837)	5,837
Human resources	279,445	369,454	347,963	21,491
Employment services	404,295	316,361	205,981	110,380
Communications	184,899	185,275	150,172	35,103
Commissioner of the Revenue	625,770	664,355	544,900	119,455
Treasurer	444,246	447,188	366,208	80,980
Finance director	320,413	323,490	240,806	82,684
Accounting	218,513	218,513	198,751	19,762
Utility billing	-	-	9,132	(9,132)
Information services	856,738	931,246	700,135	231,111
Central garage	628,204	628,219	364,906	263,313
Purchasing	226,780	228,470	145,665	82,805
Risk management	337,650	337,650	143,664	193,986
ARPA expenditures	5,000,000	3,194,896	5,856,699	(2,661,803)
General expenses	194,685	162,685	246,575	(83,890)
Total general and financial administration	\$ 10,587,994	\$ 9,043,086	\$ 10,378,777	\$ (1,335,691)
Board of Elections:				
Electoral board and officials	\$ 33,141	\$ 33,141	\$ 29,551	\$ 3,590
Registrar	237,814	239,572	192,398	47,174
Total board of elections	\$ 270,955	\$ 272,713	\$ 221,949	\$ 50,764
Total general government administration	\$ 10,972,974	\$ 9,476,824	\$ 10,722,927	\$ (1,246,103)
Judicial Administration:				
Courts:				
Circuit court	\$ 197,106	\$ 199,514	\$ 124,299	\$ 75,215
General district court	21,810	25,231	6,278	18,953
Juvenile and domestic relations court	3,830	7,689	6,486	1,203
Clerk of the circuit court	554,863	558,339	522,019	36,320
Sheriff - courts	1,513,806	1,542,174	1,269,144	273,030
Total Courts	\$ 2,291,415	\$ 2,332,947	\$ 1,928,226	\$ 404,721

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2025 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Commonwealth Attorney:				
Commonwealth attorney	\$ 939,024	\$ 944,295	\$ 925,544	\$ 18,751
Victim witness program	127,212	128,109	127,625	484
Total Commonwealth attorney	\$ 1,066,236	\$ 1,072,404	\$ 1,053,169	\$ 19,235
Total judicial administration	\$ 3,357,651	\$ 3,405,351	\$ 2,981,395	\$ 423,956
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	\$ 4,822,981	\$ 5,205,371	\$ 3,970,281	\$ 1,235,090
Transportation safety commission	1,500	1,500	1,441	59
Total law enforcement and traffic control	\$ 4,824,481	\$ 5,206,871	\$ 3,971,722	\$ 1,235,149
Fire and Rescue Services:				
Fire services	\$ 2,931,726	\$ 3,056,504	\$ 1,923,494	\$ 1,133,010
Emergency medical services	812,541	618,980	481,759	137,221
Total fire and rescue services	\$ 3,744,267	\$ 3,675,484	\$ 2,405,253	\$ 1,270,231
Correction and Detention:				
Sheriff -corrections	\$ 4,377,441	\$ 4,377,468	\$ 3,629,529	\$ 747,939
Sheriff -jail annex	170,525	203,278	243,243	(39,965)
Probation office	357,204	359,908	392,849	(32,941)
Total correction and detention	\$ 4,905,170	\$ 4,940,654	\$ 4,265,621	\$ 675,033
Inspections:				
Building and other	\$ 434,268	\$ 445,528	\$ 291,508	\$ 154,020
Other Protection:				
Safety	\$ 251,021	\$ 249,356	\$ 164,629	\$ 84,727
Total other protection	\$ 251,021	\$ 249,356	\$ 164,629	\$ 84,727
Total public safety	\$ 14,159,207	\$ 14,517,893	\$ 11,098,733	\$ 3,419,160
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Director of public works	\$ 298,106	\$ 300,182	\$ 188,202	\$ 111,980
Engineering	15,750	15,491	10,992	4,499
Street maintenance	3,794,873	6,779,981	3,890,933	2,889,048

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2025 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Public Works: (Continued)				
Maintenance of highways, streets, bridges and sidewalks: (Continued)				
ARPA expenditures	\$ -	\$ 120,000	\$ 306,243	\$ (186,243)
Street construction	-	-	51,276	(51,276)
Total maintenance of highways, streets, bridges and sidewalks	\$ 4,108,729	\$ 7,215,654	\$ 4,447,646	\$ 2,768,008
Maintenance of buildings and grounds:				
Uptown maintenance	\$ 65,700	\$ 65,700	\$ 64,534	\$ 1,166
City hall maintenance	765,302	554,960	555,555	(595)
Warehouse / garage complex	145,032	135,460	164,136	(28,676)
WPBDC building	55,325	55,325	48,326	6,999
Chief Tassel / Med School / BB&T	-	-	10,631	(10,631)
Total maintenance of buildings and grounds	\$ 1,031,359	\$ 811,445	\$ 843,182	\$ (31,737)
Total public works	\$ 5,140,088	\$ 8,027,099	\$ 5,290,828	\$ 2,736,271
Health and Welfare				
Health:				
Contribution to local health department	\$ 132,907	\$ 132,907	\$ 133,199	\$ (292)
Total health	\$ 132,907	\$ 132,907	\$ 133,199	\$ (292)
Mental Health and Mental Retardation:				
Chapter X board	\$ 58,125	\$ 58,125	\$ 58,125	\$ -
Welfare/Social Services:				
Comprehensive services	\$ 700,000	\$ 700,000	\$ 1,347,621	\$ (647,621)
Regional social services board	613,368	613,368	445,019	168,349
ARPA expenditures	-	250,000	-	250,000
Total welfare/social services	\$ 1,313,368	\$ 1,563,368	\$ 1,792,640	\$ (229,272)
Total health and welfare	\$ 1,504,400	\$ 1,754,400	\$ 1,983,964	\$ (229,564)
Education:				
Contributions to community colleges	\$ 19,835	\$ 19,835	\$ 19,835	\$ -
Contributions to School Board Component Unit	5,542,637	5,542,637	5,289,709	252,928
Total education	\$ 5,562,472	\$ 5,562,472	\$ 5,309,544	\$ 252,928

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2025 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Parks, Recreation, and Cultural:				
Parks and recreation:				
Parks & Recreation	\$ 50,000	\$ 50,000	\$ 50,180	\$ (180)
Park maintenance	403,189	419,651	301,019	118,632
Hooker field/Mustangs	89,266	117,425	130,729	(13,304)
Senior services	173,514	186,189	189,501	(3,312)
National Guard readiness center	5,000	5,000	690	4,310
ARPA expenditures	-	-	255,247	(255,247)
Total parks and recreation	\$ 720,969	\$ 778,265	\$ 927,366	\$ (149,101)
Library:				
Regional library	\$ 317,704	\$ 317,704	\$ 317,704	\$ -
Total parks, recreation and cultural	\$ 1,038,673	\$ 1,095,969	\$ 1,245,070	\$ (149,101)
Community Development:				
Planning and Community Development:				
Community Development	\$ 372,629	\$ 878,101	\$ 3,661,538	\$ (2,783,437)
Telecom system	1,904,404	1,904,404	2,328,427	(424,023)
Planning and zoning	-	-	4,769	(4,769)
ARPA expenditures	-	-	59,817	(59,817)
Contributions to local organizations	1,040,792	1,040,792	1,069,275	(28,483)
Total planning and community development	\$ 3,317,825	\$ 3,823,297	\$ 7,123,826	\$ (3,300,529)
Cooperative Extension Program:				
Horticulture and family resources	\$ 13,144	\$ 13,144	\$ 13,144	\$ -
Total community development	\$ 3,330,969	\$ 3,836,441	\$ 7,136,970	\$ (3,300,529)
Total General Fund	\$ 45,066,434	\$ 47,676,449	\$ 45,769,431	\$ 1,907,018
Special Revenue Fund:				
City Grants Fund:				
Community Development:				
Community development block grant	\$ -	\$ 58,219	\$ 1,008,239	\$ (950,020)
Total City Grants Fund	\$ -	\$ 58,219	\$ 1,008,239	\$ (950,020)
Total Special Revenue Fund	\$ -	\$ 58,219	\$ 1,008,239	\$ (950,020)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2025 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Capital Projects Funds:				
Capital Reserve Fund:				
Capital outlays and projects:				
General Government Administration:				
Computer software - information services	\$ -	\$ 85,000	\$ 89,013	\$ (4,013)
Physical plant expansion - Finance	-	-	4,800	(4,800)
Physical plant expansion - Schools	-	-	58,758	(58,758)
Total general government administration	\$ -	\$ 85,000	\$ 152,571	\$ (67,571)
Public Safety:				
Sheriff/Jail - vehicles	\$ -	-	15,135	(15,135)
EMS - vehicles	-	-	347,219	(347,219)
Major tools and equipment - EMS	-	-	10,000	(10,000)
Major tools and equipment - Police	-	188,630	268,630	(80,000)
Major tools and equipment - Fire	-	41,091	49,445	(8,354)
Major tools and equipment - Sheriff / Jail	-	-	38,998	(38,998)
Physical plant expansion - Fire	-	269,555	198,215	71,340
Total public safety	\$ -	\$ 499,276	\$ 927,642	\$ (428,366)
Public Works:				
Public works - vehicles	\$ -	\$ 606,939	\$ 466,253	\$ 140,686
Major tools and equipment - public works	-	36,512	23,057	13,455
Physical plant expansion - public works	-	106,000	-	106,000
Total public works	\$ -	\$ 749,451	\$ 489,310	\$ 260,141
Parks, Recreation, and Cultural:				
Parks and recreation:				
Major tools and equipment - park maintenance	-	52,373	-	52,373
Total parks, recreation and cultural	\$ -	\$ 52,373	\$ -	\$ 52,373
Debt service:				
Principal retirement	\$ 349,247	\$ 1,132,488	\$ 1,132,488	\$ -
Interest and other debt costs	12,094	502,493	502,493	-
Total debt service	\$ 361,341	\$ 1,634,981	\$ 1,634,981	\$ -
Total Capital Reserve Fund	\$ 361,341	\$ 3,021,081	\$ 3,204,504	\$ (183,423)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2025 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Funds: (Continued)				
Total Capital Projects Funds	\$ 361,341	\$ 3,021,081	\$ 3,204,504	\$ (183,423)
Total Expenditures - Primary Government	\$ 45,427,775	\$ 50,755,749	\$ 49,982,174	\$ 773,575
Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 19,776,797	\$ 20,114,292	\$ 19,095,646	\$ 1,018,646
Administration, attendance and health	1,995,185	2,751,349	2,662,211	89,138
Pupil transportation	1,492,700	1,763,246	1,880,051	(116,805)
Operation and maintenance of school plant	3,265,704	3,569,767	3,786,502	(216,735)
Technology	1,519,887	2,118,402	2,067,098	51,304
Total operating costs	\$ 28,050,273	\$ 30,317,056	\$ 29,491,508	\$ 825,548
Total School Operating Fund	\$ 28,050,273	\$ 30,317,056	\$ 29,491,508	\$ 825,548
School Cafeteria Fund:				
Education:				
School food services	\$ 2,186,601	\$ 2,186,601	\$ 2,279,431	\$ (92,830)
School Grants Fund:				
Education:				
Instruction costs	\$ 2,396,944	\$ 1,084,908	\$ 2,653,610	\$ (1,568,702)
School Activity Fund:				
Education:				
Instruction costs	\$ -	\$ -	\$ 208,095	\$ (208,095)
Total Expenditures - Component Unit - School Board	\$ 32,633,818	\$ 33,588,565	\$ 34,632,644	\$ (1,044,079)

Pledged Revenue Coverage - Water and Sewer Revenue Bonds
For the Years Ended June 30, 2018 through June 30, 2025

Fiscal Year	Gross Revenue (1)		Less Operating Expenses (2)		Net Revenues Available For Debt Service		Debt Service		Coverage
							Principal	Interest	
2025	\$	10,467,638	\$	7,882,265	\$	2,585,373	\$ 731,710	\$ 11,172	348%
2024		9,272,611		7,197,806		2,074,805	731,225	11,657	279%
2023		8,535,973		5,832,980		2,702,993	730,742	12,140	364%
2022		8,192,898		5,549,516		2,643,382	682,359	6,250	384%
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. Includes interest expense (not an operating expense).

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

<u>Section</u>	<u>Description / Table Name</u>	<u>Table Number</u>
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Financial Trends

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
Utility Analysis of Unrestricted Net Position	10

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Local Sales Tax Growth	11
Assessed Value of Taxable Property and Tax Rates	12
Property Tax Levies and Collections	13

Debt Capacity

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

Demographic and Economic Statistics

This table offers 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.

Demographic and Economic Statistics	18
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Operating Information

This table offers 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 Ten Fiscal Years	20
Capital Asset Statistics by Function--Last Ten Fiscal Years	21

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities:										
Net investment in capital assets	\$ 10,250,210	\$ 10,624,972	\$ 10,317,087	\$ 10,741,090	9,567,363	\$ 9,375,841	9,218,432	\$ 10,651,069	\$ 10,731,433	\$ 11,332,444
Restricted	-	-	-	-	-	-	-	466,366	4,347,708	4,367,035
Unrestricted	(5,823,340)	(7,197,367)	(9,652,267)	(9,136,286)	(8,626,444)	(8,510,553)	(8,128,912)	(4,795,931)	(3,738,413)	789,802
Total governmental activities net position	\$ 4,426,870	\$ 3,427,605	\$ 664,820	\$ 1,604,804	940,919	\$ 865,288	1,089,520	\$ 6,321,504	\$ 11,340,728	\$ 16,489,281
Business-type activities:										
Net investment in capital assets	\$ 20,792,962	\$ 20,155,003	\$ 21,620,820	\$ 24,696,125	25,296,901	\$ 26,753,935	26,842,796	\$ 29,124,441	\$ 33,356,327	\$ 36,218,504
Unrestricted	4,335,678	9,186,299	6,855,519	6,529,974	7,979,888	8,228,683	6,170,627	5,996,428	7,673,220	7,039,747
Total business-type activities net position	\$ 25,128,640	\$ 29,341,302	\$ 28,476,339	\$ 31,226,099	33,276,789	\$ 34,982,618	33,013,423	\$ 35,120,869	\$ 41,029,547	\$ 43,258,251
Primary government										
Net investment in capital assets	\$ 31,043,172	\$ 30,779,975	\$ 31,937,907	\$ 35,437,215	34,864,264	\$ 36,129,776	36,061,228	\$ 39,775,510	\$ 44,087,760	\$ 47,550,948
Restricted	-	-	-	-	-	-	-	466,366	4,347,708	4,367,035
Unrestricted	(1,487,662)	1,988,932	(2,796,748)	(2,606,312)	(646,556)	(281,870)	(1,958,285)	1,200,497	3,934,807	7,829,549
Total primary government	\$ 29,555,510	\$ 32,768,907	\$ 29,141,159	\$ 32,830,903	34,217,708	\$ 35,847,906	34,102,943	\$ 41,442,373	\$ 52,370,275	\$ 59,747,532

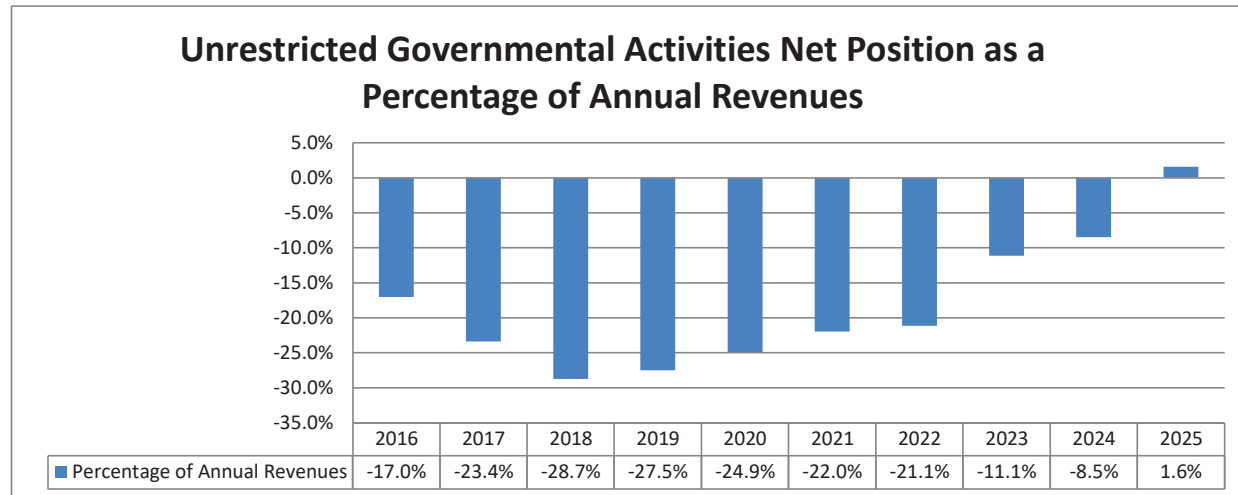
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses:										
Governmental activities:										
General government administration	\$ 4,612,205	\$ 3,245,979	\$ 3,201,860	\$ 3,431,098	\$ 4,618,016	\$ 4,682,408	\$ 6,235,576	\$ 4,356,550	\$ 4,828,694	\$ 8,666,003
Judicial administration	2,250,373	2,322,293	2,314,974	2,262,276	2,641,457	2,762,578	2,767,408	2,706,080	2,853,488	2,859,948
Public safety	9,837,593	9,805,711	9,902,833	9,801,973	11,826,946	12,944,151	12,894,682	13,073,788	13,555,439	11,201,768
Public works	4,246,016	3,659,946	4,926,615	3,545,037	4,354,892	5,353,609	3,942,681	4,698,354	4,319,615	5,579,375
Health and welfare	770,780	859,053	960,166	1,114,250	1,227,588	1,469,097	1,625,251	1,795,566	2,195,904	1,889,170
Education	7,091,099	7,401,665	7,305,996	7,296,370	6,282,794	5,381,040	6,220,948	6,020,324	6,661,732	7,040,036
Parks, recreation, and cultural	941,835	923,286	883,520	855,335	955,956	935,267	990,529	855,227	991,330	1,011,103
Community development	3,373,272	3,381,324	3,231,968	3,073,604	3,282,279	5,332,000	3,478,652	4,208,581	4,806,583	7,287,795
Interest and other fiscal charges	216,619	184,109	153,162	126,708	133,477	103,981	89,952	75,373	62,094	496,302
Total governmental activities expenses	\$ 33,339,792	\$ 31,783,366	\$ 32,881,094	\$ 31,506,651	\$ 35,323,405	\$ 38,964,131	\$ 38,245,679	\$ 37,789,843	\$ 40,274,879	\$ 46,031,500
Business-type activities:										
Electric	\$ 16,266,023	\$ 16,860,239	\$ 18,842,419	\$ 18,277,367	\$ 17,444,975	\$ 17,591,291	\$ 20,597,013	\$ 19,557,213	\$ 20,533,010	\$ 22,377,774
Water & sewer	4,921,668	5,259,086	5,351,250	6,211,342	6,562,400	7,117,892	6,700,696	7,082,224	8,215,004	9,199,284
Refuse collection / landfill	1,586,815	1,765,041	1,792,739	1,956,974	1,959,383	1,883,910	1,997,015	2,005,597	2,047,037	1,979,474
Total business-type activities expenses	\$ 22,774,506	\$ 23,884,366	\$ 25,986,408	\$ 26,445,683	\$ 25,966,758	\$ 26,593,093	\$ 29,294,724	\$ 28,645,034	\$ 30,795,051	\$ 33,556,532
Total primary government expenses	\$ 56,114,298	\$ 55,667,732	\$ 58,867,502	\$ 57,952,334	\$ 61,290,163	\$ 65,557,224	\$ 67,540,403	\$ 66,434,877	\$ 71,069,930	\$ 79,588,032
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 58,315	\$ 54,221	\$ 54,132	\$ 52,714	\$ 25,092	\$ 24,179	\$ 52,987	\$ 55,049	\$ 17,721	\$ 63,840
Judicial administration	170,680	199,722	216,855	209,082	139,760	140,128	132,617	148,516	151,854	176,641
Public safety	533,667	557,825	570,985	638,338	773,151	673,967	754,526	850,784	654,063	1,360,655
Public works	1,239,954	1,327,920	1,483,813	1,572,827	1,656,197	1,558,169	1,629,025	1,636,214	1,574,748	1,978,691
Parks, recreation, and cultural	10,735	12,162	12,589	3,825	2,241	-	-	-	-	-
Operating grants and contributions:										
General government administration	228,325	218,070	230,181	233,651	277,684	505,481	1,400,975	948,759	372,352	766,189
Judicial administration	789,944	793,561	808,053	828,856	841,540	847,081	891,637	894,408	987,193	1,094,707
Public safety	3,366,678	3,600,720	3,446,573	3,415,292	3,497,408	4,780,825	4,140,591	5,701,391	8,434,731	11,429,850
Public works	3,220,499	3,267,296	3,628,653	3,400,619	3,494,529	3,844,187	3,825,406	4,401,127	4,495,402	5,314,626
Health and welfare	171,032	201,601	241,134	373,462	385,528	639,624	764,404	1,656,429	1,101,156	811,885
Parks, recreation, and cultural	31,257	43,729	34,468	32,786	30,259	63,054	87,932	43,771	42,666	44,979
Community development	884,321	474,766	184,155	43,759	125,876	686,735	64,518	2,281,340	634,538	592,296
Capital grants and contributions	2,641	199,426	327,400	755,137	1,199,002	2,221,585	179,625	1,609,727	569,332	453,502
Total governmental activities program revenues	\$ 10,708,048	\$ 10,951,019	\$ 11,238,991	\$ 11,560,348	\$ 12,448,267	\$ 15,985,015	\$ 13,924,243	\$ 20,227,515	\$ 19,035,756	\$ 24,087,861

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Business-type activities:										
Charges for services:										
Electric	\$ 17,770,846	\$ 18,680,678	\$ 18,787,334	\$ 19,245,478	\$ 19,251,609	\$ 19,232,456	\$ 19,242,484	\$ 19,678,564	\$ 21,262,767	\$ 24,327,435
Water & sewer	7,511,057	7,858,658	7,767,271	7,851,395	8,241,117	8,163,021	7,918,421	8,282,000	9,040,428	9,392,662
Refuse collection / landfill	2,232,517	2,280,710	2,237,742	2,244,328	2,434,359	1,713,245	1,739,784	1,950,053	1,884,582	1,893,781
Capital grants and contributions	-	-	-	1,000,000	-	522,011	57,989	-	4,381,297	861,196
Total business-type activities program revenues	\$ 27,514,420	\$ 28,820,046	\$ 28,792,347	\$ 30,341,201	\$ 29,927,085	\$ 29,630,733	\$ 28,958,678	\$ 29,910,617	\$ 36,569,074	\$ 36,475,074
Total primary government program revenues	\$ 38,465,439	\$ 39,771,065	\$ 40,031,338	\$ 41,901,549	\$ 42,375,352	\$ 45,615,748	\$ 42,882,921	\$ 50,138,132	\$ 55,604,830	\$ 60,562,935
Net (expense) / revenue										
Governmental activities	\$ (20,832,347)	\$ (20,832,347)	\$ (21,642,103)	\$ (19,946,303)	\$ (22,875,138)	\$ (22,979,116)	\$ (24,321,436)	\$ (17,562,328)	\$ (21,239,123)	\$ (21,943,639)
Business-type activities	3,630,054	4,935,680	2,805,939	3,895,518	3,960,327	3,037,640	(336,046)	1,265,583	5,774,023	2,918,542
Total primary government net expense	\$ (17,202,293)	\$ (15,896,667)	\$ (18,836,164)	\$ (16,050,785)	\$ (18,914,811)	\$ (19,941,476)	\$ (24,657,482)	\$ (16,296,745)	\$ (15,465,100)	\$ (19,025,097)
General Revenues and Other Changes in Net Position										
Governmental activities:										
General property taxes	\$ 8,949,568	\$ 9,072,495	\$ 8,964,713	\$ 9,728,127	\$ 9,591,164	\$ 9,448,108	\$ 9,681,294	\$ 10,432,820	\$ 11,553,269	\$ 11,647,203
Local sales and use taxes	2,033,632	2,046,701	1,968,475	2,039,498	2,075,778	2,346,936	2,765,851	2,495,785	2,714,108	2,687,807
Consumer utility taxes	654,989	640,608	656,804	606,852	566,901	568,104	585,152	2,231,478	642,213	510,313
Business license taxes	1,715,637	1,770,305	1,984,863	1,957,688	1,908,324	1,943,342	2,157,701	2,754,823	2,222,227	2,295,250
Meals tax	1,717,249	1,738,415	1,804,893	1,909,213	1,960,507	2,163,683	2,340,491	575,551	3,005,116	2,975,187
Other local taxes	884,145	925,346	961,884	1,041,265	929,801	1,071,966	1,170,046	1,121,170	1,364,584	1,479,176
Grants and contributions not restricted to specific programs	1,622,427	1,605,957	1,577,765	1,526,595	1,883,750	1,436,736	1,403,996	1,387,358	1,281,309	1,270,720
Unrestricted revenues from use of money and property	958,834	1,024,325	1,225,674	1,326,137	1,195,720	1,198,865	1,207,421	1,170,396	918,251	1,274,195
Miscellaneous	249,786	258,851	349,751	361,768	551,813	544,762	1,092,028	624,931	1,328,651	1,750,288
Transfers	4,679,968	750,079	2,891,539	1,169,144	1,547,495	2,000,000	2,141,688	-	550,000	2,078,454
Total governmental activities	\$ 23,466,235	\$ 19,833,082	\$ 22,386,361	\$ 21,666,287	\$ 22,211,253	\$ 22,722,502	\$ 24,545,668	\$ 22,794,312	\$ 25,579,728	\$ 27,968,593
Business-type activities:										
Transfers	\$ (4,679,968)	\$ (750,079)	\$ (2,891,539)	\$ (1,169,144)	\$ (1,547,495)	\$ (2,000,000)	\$ (2,141,688)	\$ -	\$ (550,000)	\$ (2,078,454)
Unrestricted revenues from use of money and property	28,619	27,061	27,638	23,386	27,638	25,512	25,512	23,386	27,638	-
Miscellaneous	-	-	15,195	-	-	642,677	483,027	818,477	657,017	909,789
Loss on asset disposal	-	-	-	-	(389,780)	-	-	-	-	-
Total business-type activities	\$ (4,651,349)	\$ (723,018)	\$ (2,848,706)	\$ (1,145,758)	\$ (1,909,637)	\$ (1,331,811)	\$ (1,633,149)	\$ 841,863	\$ 134,655	\$ (1,168,665)
Total primary government	\$ 18,814,886	\$ 19,110,064	\$ 19,537,655	\$ 20,520,529	\$ 20,301,616	\$ 21,390,691	\$ 22,912,519	\$ 23,636,175	\$ 25,714,383	\$ 26,799,928
Change in Net Position										
Governmental activities	\$ 2,633,888	\$ (999,265)	\$ 744,258	\$ 1,719,984	\$ (663,885)	\$ (256,614)	\$ 224,232	\$ 5,231,984	\$ 4,340,605	\$ 6,024,954
Business-type activities	(1,021,295)	4,212,662	(42,767)	2,749,760	2,050,690	1,705,829	(1,969,195)	2,107,446	5,908,678	1,749,877
Total primary government	\$ 1,612,593	\$ 3,213,397	\$ 701,491	\$ 4,469,744	\$ 1,386,805	\$ 1,449,215	\$ (1,744,963)	\$ 7,339,430	\$ 10,249,283	\$ 7,774,831

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



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

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

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Business License Taxes	Meals Taxes	Other Local Taxes	Total
2025	\$ 11,647,203	\$ 2,687,807	\$ 510,313	\$ 2,295,250	\$ 2,975,187	\$ 1,479,176	\$ 21,594,936
2024	11,553,269	2,714,108	642,213	2,222,227	3,005,116	1,364,584	21,501,517
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

CITY OF MARTINSVILLE, VIRGINIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

	2016	2017	2018	2019	2020
General fund					
Nonspendable	\$ 1,123,501	\$ 1,205,350	\$ 1,202,606	\$ 1,198,249	\$ 1,293,059
Restricted	-	-	-	-	-
Committed	1,218,099	1,820,414	851,339	712,456	729,155
Assigned	25,000	-	-	-	-
Unassigned	<u>4,401,718</u>	<u>3,031,355</u>	<u>4,660,378</u>	<u>4,331,449</u>	<u>4,938,739</u>
Total general fund	<u>\$ 6,768,318</u>	<u>\$ 6,057,119</u>	<u>\$ 6,714,323</u>	<u>\$ 6,242,154</u>	<u>\$ 6,960,953</u>
All other governmental funds					
Assigned, reported in:					
Capital projects funds	\$ 1,424,363	\$ 798,619	\$ 1,165,244	\$ 534,861	\$ 1,501,117
Special revenue funds	<u>3,381</u>	<u>109,148</u>	<u>50,595</u>	<u>70,345</u>	<u>90,671</u>
Total all other governmental funds	<u>\$ 1,427,744</u>	<u>\$ 907,767</u>	<u>\$ 1,215,839</u>	<u>\$ 605,206</u>	<u>\$ 1,591,788</u>
Total governmental funds	<u>\$ 8,196,062</u>	<u>\$ 6,964,886</u>	<u>\$ 7,930,162</u>	<u>\$ 6,847,360</u>	<u>\$ 8,552,741</u>

Table 5

<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 1,463,423	1,453,499	\$ 1,309,691	\$ 1,337,764	\$ 1,267,879
-	-	184,685	3,515,971	4,460,655
755,367	1,054,965	1,261,156	1,068,291	529,923
-	-	-	-	-
<u>7,574,286</u>	<u>6,286,060</u>	<u>6,245,600</u>	<u>5,255,868</u>	<u>12,231,236</u>
<u>\$ 9,793,076</u>	<u>8,794,524</u>	<u>\$ 9,001,132</u>	<u>\$ 11,177,894</u>	<u>\$ 18,489,693</u>
\$ 1,406,274	\$ 1,944,898	\$ 3,525,006	\$ 3,184,449	\$ 744,609
<u>108,674</u>	<u>100,955</u>	<u>124,060</u>	<u>-</u>	<u>(435,543)</u>
<u>\$ 1,514,948</u>	<u>2,045,853</u>	<u>\$ 3,649,066</u>	<u>\$ 3,184,449</u>	<u>\$ 309,066</u>
<u>\$ 11,308,024</u>	<u>10,840,377</u>	<u>\$ 12,650,198</u>	<u>\$ 14,362,343</u>	<u>\$ 18,798,759</u>

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Fund Balance Summary
Year Ended June 30, 2025
(Modified accrual basis of accounting)

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

	General Fund	City Grants Fund	Capital Reserve Fund	Total
Nonspendable:				
Inventory	\$ 1,267,879	\$ -	\$ -	\$ 1,267,879
Restricted for:				
Opioid settlement	534,163	-	-	534,163
State highway maintenance	3,734,115	-	-	3,734,115
Asset forfeiture	192,377		-	192,377
Committed to:				
General Gov't Administration	253,870	-	-	253,870
Judicial Administration	4,623	-	-	4,623
Public Safety	232,723	-	-	232,723
Parks, recreation and cultural	9,707	-	-	9,707
Community development	29,000	-	-	29,000
Assigned to:				
Capital reserve fund	-	-	744,609	744,609
Special revenue fund	-	(435,543)	-	(435,543)
Unassigned	12,231,236	-	-	12,231,236
Total fund balance	\$ 18,489,693	\$ (435,543)	\$ 744,609	\$ 18,798,759

CITY OF MARTINSVILLE, VIRGINIA

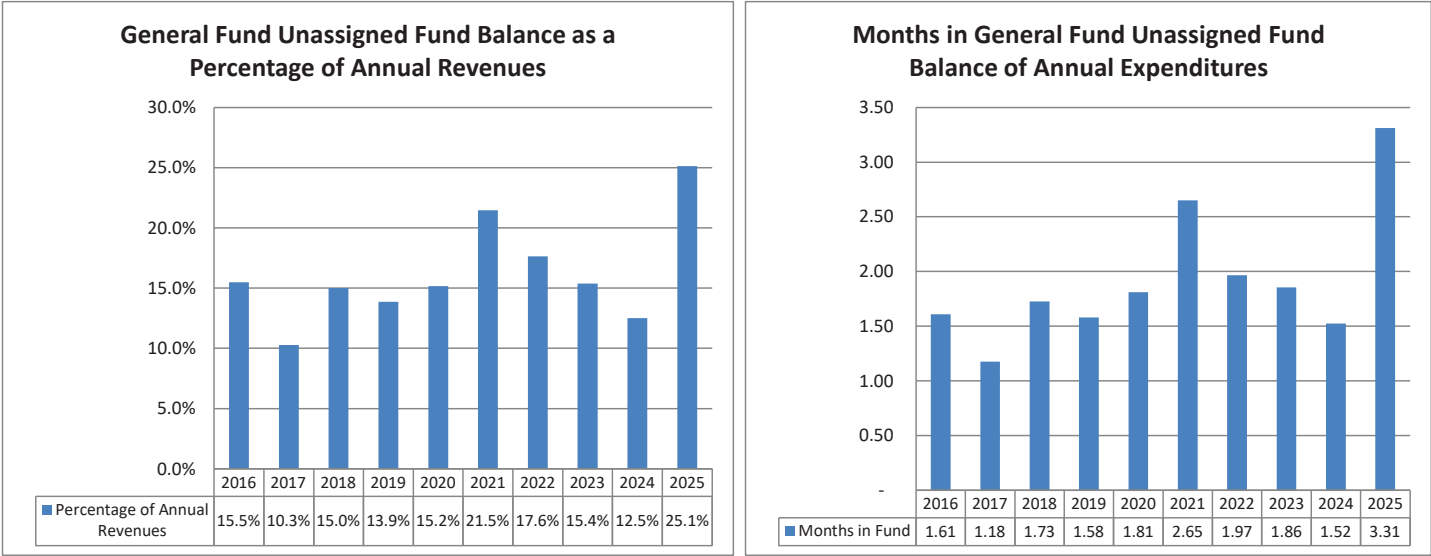
Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	2016	2017	2018	2019
Revenues:				
General property taxes	\$ 8,745,402	\$ 8,877,122	\$ 9,180,279	\$ 9,136,565
Other local taxes	7,005,652	7,121,375	7,376,919	7,554,516
Permits, privilege fees and regulatory licenses	100,068	93,979	56,503	93,318
Fines and forfeitures	109,396	140,171	170,759	139,591
Revenue from use of money and property	958,834	1,144,249	1,225,674	1,332,679
Charges for services	1,803,887	1,917,701	2,111,112	2,243,877
Miscellaneous	249,786	258,852	349,751	361,768
Recovered costs	1,735,766	2,108,095	2,173,575	2,108,652
Intergovernmental:				
Commonwealth	9,746,076	9,231,666	9,825,527	10,014,169
Federal	939,421	1,541,438	1,022,020	966,733
Total revenues	\$ 31,394,288	\$ 32,434,648	\$ 33,492,119	\$ 33,951,868
Expenditures:				
General government administration	\$ 6,277,216	\$ 4,042,520	\$ 4,019,965	\$ 4,585,789
Judicial administration	2,319,579	2,293,175	2,332,335	2,401,821
Public safety	10,320,222	10,131,848	9,992,439	11,170,618
Public works	4,639,584	4,775,364	5,997,499	4,951,335
Health and welfare	812,079	874,554	993,510	1,229,160
Education	5,957,670	6,267,041	6,170,116	6,164,347
Parks, recreation, and cultural	927,402	861,036	837,001	852,802
Community development	3,447,169	3,293,876	3,199,403	3,240,807
Nondepartmental	-	-	-	-
Debt service:				
Principal retirement	1,271,763	1,305,581	1,338,158	1,265,724
Interest and other fiscal charges	603,532	570,908	537,956	512,608
Total expenditures	\$ 36,576,216	\$ 34,415,903	\$ 35,418,382	\$ 36,375,011
Excess (deficiency) of revenues over expenditures	\$ (5,181,928)	\$ (1,981,255)	\$ (1,926,263)	\$ (2,423,143)
Other financing sources (uses):				
Capital lease proceeds	\$ -	\$ -	\$ -	\$ -
Insurance recoveries	-	-	-	171,197
Transfers in	5,191,579	1,845,097	3,479,752	1,935,368
Transfers (out)	(511,611)	(1,095,018)	(588,213)	(766,224)
Total other financing sources (uses)	\$ 4,679,968	\$ 750,079	\$ 2,891,539	\$ 1,340,341
Net changes in fund balances	\$ (501,960)	\$ (1,231,176)	\$ 965,276	\$ (1,082,802)
Debt service as a percentage of noncapital expenditures	5.27%	5.61%	5.43%	5.11%

Table 7

	2020	2021	2022	2023	2024	2025
\$	9,335,603	\$ 9,762,106	\$ 9,941,727	\$ 9,862,327	\$ 11,032,843	11,793,855
	7,441,311	8,094,031	9,019,241	9,178,807	9,948,248	9,947,733
	109,659	82,265	93,850	65,904	88,648	104,949
	99,924	92,397	86,287	92,088	84,025	287,278
	1,206,581	1,198,865	1,207,421	1,170,396	980,796	1,274,195
	2,386,857	2,221,781	2,389,019	2,532,571	2,225,713	3,187,602
	551,813	544,762	533,807	716,786	963,280	1,730,961
	2,312,618	2,312,178	1,980,275	2,365,961	2,427,287	959,810
	10,510,007	11,563,521	10,355,671	12,665,724	12,287,271	13,597,141
	1,598,952	3,834,510	2,776,133	6,631,307	6,005,225	8,181,612
\$	<u>35,553,325</u>	<u>39,706,416</u>	<u>38,383,431</u>	<u>45,281,871</u>	<u>46,043,336</u>	<u>51,065,136</u>
\$	5,190,992	\$ 5,221,495	\$ 7,238,190	\$ 6,617,454	\$ 7,083,978	10,875,498
	2,513,322	2,572,521	2,810,364	2,823,022	3,008,329	2,981,395
	11,375,251	12,261,058	13,116,930	13,602,920	14,184,482	12,026,375
	5,472,305	5,928,325	4,817,861	5,918,156	5,746,806	5,780,138
	1,186,193	1,381,590	1,659,407	1,901,735	2,313,818	1,983,964
	5,157,042	4,109,180	4,959,911	4,256,525	4,912,100	5,309,544
	855,004	851,159	1,017,070	917,257	994,290	1,245,070
	3,064,544	4,920,270	3,486,559	5,868,989	5,637,633	8,145,209
	-	-	-	-	114,908	-
	1,290,239	1,389,689	1,419,207	1,111,203	1,121,516	1,132,488
	505,045	496,826	467,267	454,789	441,950	502,493
\$	<u>36,609,937</u>	<u>39,132,113</u>	<u>40,992,766</u>	<u>43,472,050</u>	<u>45,559,810</u>	<u>49,982,174</u>
\$	<u>(1,056,612)</u>	<u>574,303</u>	<u>(2,609,335)</u>	<u>1,809,821</u>	<u>483,526</u>	<u>1,082,962</u>
\$	1,214,500	\$ -	\$ -	\$ -	-	1,275,000
	-	-	-	-	-	-
	2,639,171	2,852,648	3,439,242	1,450,799	3,267,086	9,958,030
	(1,091,676)	(852,648)	(1,297,554)	(1,450,799)	(2,717,086)	(7,879,576)
\$	<u>2,761,995</u>	<u>2,000,000</u>	<u>2,141,688</u>	<u>-</u>	<u>550,000</u>	<u>3,353,454</u>
\$	<u>1,705,383</u>	<u>2,574,303</u>	<u>(467,647)</u>	<u>1,809,821</u>	<u>1,033,526</u>	<u>4,436,416</u>
	<u>5.18%</u>	<u>5.03%</u>	<u>4.80%</u>	<u>3.76%</u>	<u>3.43%</u>	<u>3.27%</u>

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



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

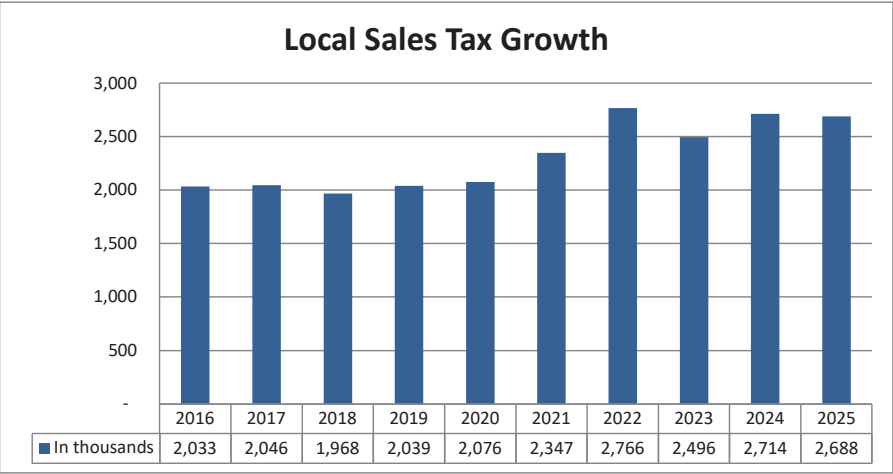
Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Business License Taxes	Meals Taxes	Communications Taxes	Other Local Taxes	Total
2025	\$ 11,793,855	\$ 2,687,807	\$ 510,313	\$ 2,295,250	\$ 2,975,187	588,478	\$ 1,479,176	\$ 22,330,066
2024	11,032,843	2,714,108	642,213	2,222,227	3,005,116	598,633	1,364,584	21,579,724
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

Utility Analysis of Unrestricted Net Position
At June 30, 2025

	Electric Fund	Water & Sewer Fund	Refuse Collection/ Landfill Fund	Total
Net Position at June 30, 2025	\$ 20,414,043.00	\$ 21,998,899	\$ 845,309	\$ 43,258,251
Less capital assets	(18,430,077)	(35,452,453)	(1,972,561)	(55,855,091)
Add current portion of long-term obligations	396,500	1,020,516	49,369	1,466,385
Add noncurrent portion of long-term obligations	3,978,313	19,048,521	3,397,251	26,424,085
Add capital related payables	-	-	-	-
Less compensated absences	(174,995)	(293,196)	(33,685)	(501,876)
Less net pension liability	(1,429,020)	(2,451,432)	(411,315)	(4,291,767)
Less net group life insurance OPEB liability	(56,353)	(78,421)	(16,249)	(151,023)
Less net Pay-as-you-Go OPEB liability	(234,445)	(334,401)	(67,547)	(636,393)
Less landfill closure and post-closure costs	-	-	(2,672,824)	(2,672,824)
Unrestricted Net Position at June 30, 2025	<u>\$ 4,463,966</u>	<u>\$ 3,458,033</u>	<u>\$ (882,252)</u>	<u>\$ 7,039,747</u>

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, 2025, the City experienced an decrease in sales tax collections of approximately \$26,301 or 0.95%.

CITY OF MARTINSVILLE, VIRGINIA

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

Fiscal Year(1)	Real Estate	Personal Property	Machinery and Tools	Public Service Real Estate	Public Service Pers Prop	Total
2025	\$ 789,328,600	\$ 154,929,022	\$ 9,203,622	\$ 27,423,508	\$ 360,124	\$ 981,244,876
2024	784,860,900	150,012,855	9,243,527	34,200,288	413,107	978,730,677
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

(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
\$ 0.75330	\$ 2.30	\$ 1.85	\$ 0.75330	\$ 2.30
0.99000	2.30	1.85	0.99000	2.30
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

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Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1), (3) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2025	\$ 11,908,709	\$ 10,120,423	84.98%	\$ 941,236	\$ 11,061,659	92.89%	\$ 2,710,231	22.76%
2024	11,821,283	9,812,104	83.00%	1,471,015	11,283,119	95.45%	2,946,777	24.93%
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%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

CITY OF MARTINSVILLE, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			
	General Obligation Bonds	State Literary Loans	VP SA Bonds	Capital Financing Activities
2025	\$ 197,600	\$ -	\$ 4,382,326	\$ 1,275,000
2024	292,400	-	5,165,567	254,446
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

Table 14

Business-type Activities					Net Bonded Debt per Capita
General Obligation Bonds	Revenue Bonds	Capital Financing Activities	Total Primary Government		
\$ 245,000	\$ 15,727,587	\$ 3,664,000	\$ 25,491,513	\$	1,467
290,000	16,196,208	4,234,000	26,432,621		1,586
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

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2025	13,485 \$	929,988,207 \$	20,552,513	2.21% \$	1,524
2024	13,834	978,730,677	21,944,175	2.21%	1,586
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

Sources:

(1) Estimates - United States Census Bureau

(2) From Table 12

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

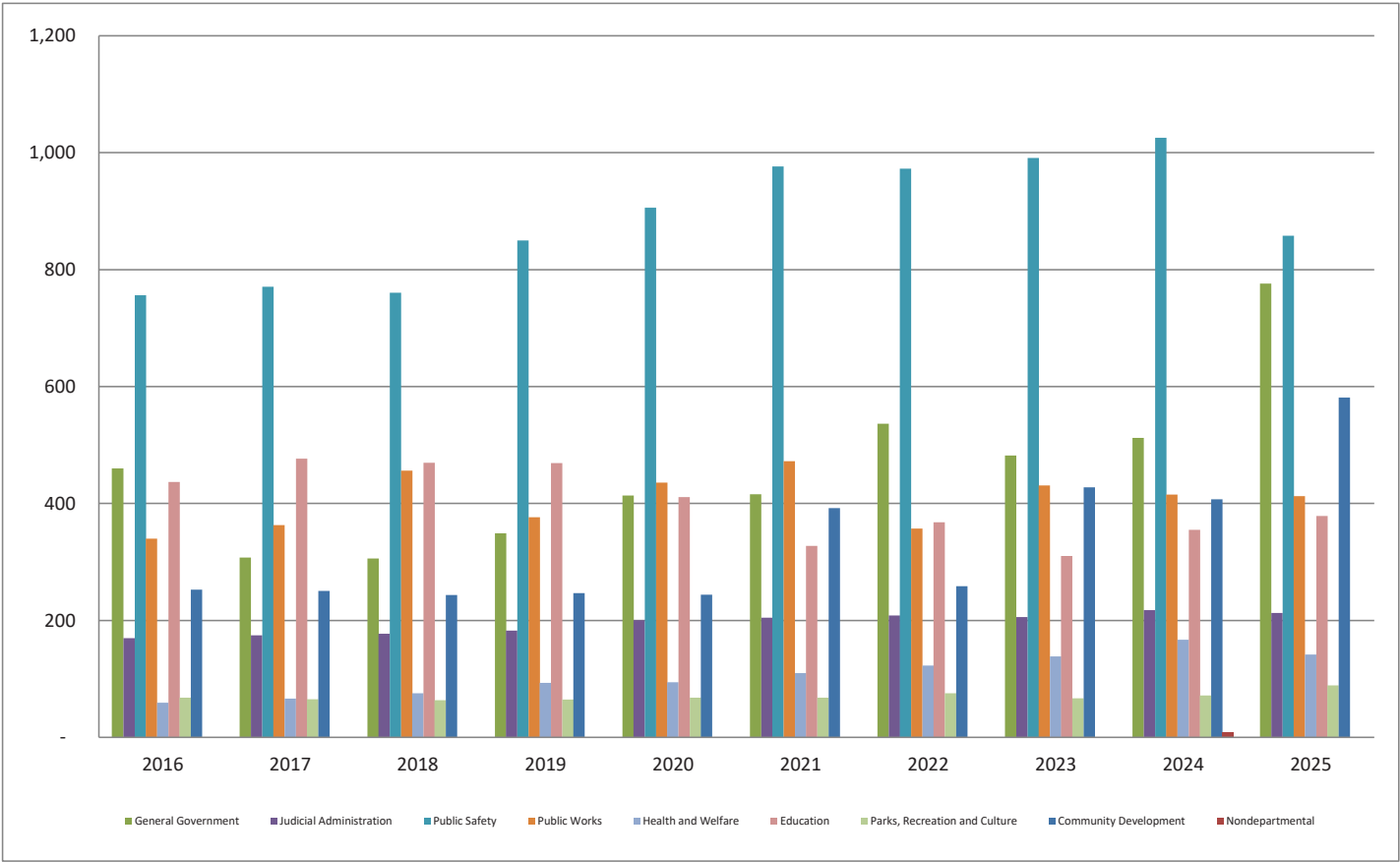
Computation of Direct and Overlapping Bonded Debt
At June 30, 2025

Direct:(1)

City of Martinsville	\$	20,552,513	100%	\$	20,552,513
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The City of Martinsville has no overlapping debt.

Expenditures Per Capita Ratios
Last Ten Fiscal Years



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

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	City Per Capita Income (2)	School Enrollment (3)	Unemploy- ment Rate (4)	Personal Income In Thousands (5)
2025	13,485 \$	51,414	1,793	5.50% \$	n/a
2024	13,834	50,015	1,807	5.10%	3,250,366
2023	13,725	47,455	1,810	4.60%	3,174,180
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

n/a - not available at publication

Sources:

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

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

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government	22	21	20	20	21	21	21	22	28	29
Public safety										
Police department	56	50	51	51	51	51	47	42	47	47
Fire department	27	27	27	26	26	26	28	28	39	28
Public works										
General maintenance	38	35	37	37	37	37	38	37	36	36
Landfill Operation	0	0	0	0	0	0	0	0	0	0
Refuse Collection	3	5	5	5	6	6	7	9	7	7
Engineering	3	3	1	2	2	2	2	1	2	1
Culture and recreation										
Parks and recreation	6	5	6	5	5	5	5	4	8	8
Community development										
Planning and Zoning	2	3	3	1	2	2	2	2	2	6
Totals	157	149	150	147	150	150	150	145	169	162

Source: Individual city departments

Operating Indicators by Function
Last Ten Fiscal Years

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police Protection	Number of stations	1	1	1	1	1	1	1	1	1	1
	Number of police personnel and officers	53	50	51	51	51	51	47	42	47	47
	Number of law violations:										
	Physical arrests	1,394	1,694	2,932	1,994	1,645	1,383	1,234	1,393	1,187	2,012
	Traffic violations	1,772	2,877	3,314	2,786	2,663	2,539	2,324	2,112	2,476	2,631
Fire Protection	Number of stations	2	2	2	2	2	2	2	2	2	2
	Number of fire personnel and officers	42	41	42	40	43	41	42	37	39	39
	Number of calls answered	3,041	3,024	3,053	3,602	2,965	3,504	4,214	4,458	4,410	4,943
	Number of inspections conducted	530	659	768	914	826	838	1,342	1,136	1,166	375
Streets	Streets (miles)	100	100	100	100	100	100	100	100	100	100
	Streetlights	2,871	2,695	3,069	3,069	3,069	3,072	3,072	3,072	3,093	3,093
Recreation & Culture	Number of parks and recreation facilities	13	13	13	13	13	13	13	13	13	13
	Number of libraries	1	1	1	1	1	1	1	1	1	1
	Number of community centers	1	1	1	1	1	1	1	1	1	1
Water	Service Connections (Active)	7,300	7,250	7,250	7,250	7,069	7,069	8,098	7,074	7,097	6,978
	Miles of water mains	120	120	120	120	120	120	120	120	120	120
	Number of fire hydrants	555	555	555	555	555	555	555	555	555	559
	Daily average consumption in gallons	1.8 MGD	1.8 MGD	1.8 MGD	1.78 MGD	1.95 MGD	1.65 MGD	1.70 MGD	1.35MGD	2.05MGD	2.10MGD
	Maximum daily capacity of plant in gallons	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD
Sewer	Service Connections (Active)	6,800	6,800	6,800	6,800	6,535	6,631	7,494	6,541	6,556	6,447
	Miles of sanitary sewers	140	140	140	140	140	140	140	140	140	140
	Miles of storm sewers	1	1	1	1	1	1	1	1	1	1
	Number of treatment plants	1	1	1	1	1	1	1	1	1	1
	Daily average treatment in gallons	4.5 MGD	4.5 MGD	4.5 MGD	5.8 MGD	5.4 MGD	5.5 MGD	4.49 MGD	4.71MGD	4.78MGD	4.60MGD
	Maximum daily capacity of plant in gallons	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD
Electric Distribution Systems	Miles of service	100	100	100	100	100	100	100	100	100	100
	Number of distribution systems	1	1	1	1	1	1	1	1	1	1
Facilities and services not included in the primary government	Number of elementary schools	3	3	3	3	3	3	3	3	3	3
	Number of middle schools	2	2	2	2	2	2	2	2	2	2
	Number of secondary schools	1	1	1	1	1	1	1	1	1	1
Facilities and services not included in the reporting entity	Hospitals:										
	Number of hospitals	1	1	1	1	1	1	1	1	1	1
	Number of patient beds	220	220	220	220	220	220	220	220	220	220

Source: Individual city departments

FY24 fire calls answered includes 712 Non-emergency transport calls

FY25 fire calls answered includes 845 Non-emergency transport calls

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government										
Administration buildings	6	6	6	6	6	6	6	6	6	6
Vehicles	4	3	3	4	2	2	4	2	4	4
Public safety										
Police department:										
Patrol units	22	26	27	29	27	30	26	24	20	27
Other vehicles	16	15	17	18	19	16	17	19	20	18
Sheriffs department:										
Patrol units	13	13	13	16	15	15	16	15	15	14
Other vehicles	10	12	12	12	10	10	10	11	12	11
Fire department:										
Vehicles	12	14	14	16	14	14	15	15	15	16
Building inspections:										
Vehicles	1	1	1	1	2	2	2	3	2	3
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	59	59	60	57	60	62	66	66	58	62
Refuse:										
Vehicles	10	9	10	12	14	13	13	13	14	13
Sites	1	1	1	1	1	1	1	1	1	1
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	12	12	12	12	11	11	10	12	13	10
Playing Fields	9	9	9	9	9	9	9	9	9	9
Tennis courts	3	3	3	3	3	3	3	3	3	3
Community development										
Planning:										
Vehicles	1	1	1	1	2	2	2	3	2	0
Component Unit - School Board										
Education:										
Schools	5	5	5	5	5	5	5	5	5	5
School buses	30	31	33	32	31	31	33	32	35	32
Other vehicles	29	25	26	29	27	23	25	27	27	31

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
 Police Dept other vehicles FY24 includes 13 rentals



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia as of and for the year ended June 30, 2025, 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 June 1, 2026.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2025-002 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

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*.

City of Martinsville, Virginia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on City of Martinsville, Virginia's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Martinsville, Virginia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no such opinion on the response.

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
June 1, 2026



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Martinsville, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Martinsville, Virginia's major federal programs for the year ended June 30, 2025. 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, 2025.

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
June 1, 2026

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Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
For the Year Ended June 30, 2025

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Provided to Subrecipients
PRIMARY GOVERNMENT:				
<u>DEPARTMENT OF TRANSPORTATION:</u>				
<u>Pass through payments:</u>				
Highway Safety Cluster:				
Virginia Department of Motor Vehicles:				
State and Community Highway Safety	20.600	BPT-2024-54034	\$ 19,069	
Total Highway Safety Cluster			\$ 19,069	\$ -
Total Department of Transportation			\$ 19,069	\$ -
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
<u>Pass through payments:</u>				
Virginia Department of Social Services:				
Temporary Assistance for Needy Families (TANF)	93.558	Unknown	\$ 10,907	\$ 10,907
Total Department of Health and Human Services			\$ 10,907	\$ 10,907
<u>DEPARTMENT OF HOMELAND SECURITY:</u>				
<u>Pass through payments:</u>				
Virginia Department of Emergency Management:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	114522, 116792, 118558	\$ 24,979	\$ -
Hazard Mitigation Grant	97.039	114801	92,052	-
Emergency Management Performance Grants	97.042	120478, 122439	7,500	-
Total Department of Homeland Security			\$ 124,531	\$ -
<u>DEPARTMENT OF COMMERCE</u>				
<u>Direct payments:</u>				
Economic Development Cluster:				
Economic Adjustment Assistance	11.307	N/A	\$ 575,818	\$ -
Total Department of Commerce			\$ 575,818	\$ -
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>				
<u>Direct payments:</u>				
Brownfields Multipurpose, Assessment , Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	N/A	\$ 264,002	\$ -
Total Environmental Protection Agency			264,002	\$ -
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
<u>Pass through payments:</u>				
Virginia Department of Housing and Community Development:				
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	120928	\$ 572,696	\$ -
Total Department of Housing and Urban Development			\$ 572,696	\$ -
<u>DEPARTMENT OF LABOR:</u>				
<u>Pass through payments:</u>				
Virginia Department for Aging and Rehabilitative Services:				
Senior Community Service Employment Program	17.235	Unknown	\$ 34,478	\$ -
Total Department of Labor			\$ 34,478	\$ -
<u>DEPARTMENT OF JUSTICE:</u>				
<u>Direct payments:</u>				
Bullet Proof Vest Partnership Program	16.607	N/A	\$ 23,318	\$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	3,124	-
<u>Pass through payments:</u>				
Virginia Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	116418, 118457	66,278	-
Total Department of Justice			\$ 92,720	\$ -
<u>DEPARTMENT OF THE TREASURY:</u>				
<u>Pass through payments:</u>				
Virginia Department of Accounts:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	\$ 6,689,326	\$ -
Virginia Department of Environmental Quality:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	17505	246,066	-
Department of Education:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	APE60054	49,813	-
Other:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	10,751	6,995,956
Total Department of the Treasury			\$ 6,995,956	\$ -

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
For the Year Ended June 30, 2025 (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
COMPONENT UNIT-SCHOOL BOARD:					
<u>DEPARTMENT OF AGRICULTURE:</u>					
<u>Pass through payments:</u>					
Child Nutrition Cluster:					
Virginia Department of Agriculture and Consumer Services:					
Food Distribution - National School Lunch Program	10.555	Unknown	\$ 143,150		
Virginia Department of Education:					
National School Lunch Program	10.555	APE41106 & APE40254	1,026,912	\$ 1,170,062	
School Breakfast Program	10.553	APE41110 & APE40253		473,757	
Summer Food Service Program for Children	10.559	APE60302 & APE60303		65,919	
Fresh Fruit and Vegetable Program	10.582	APE40252		55,914	
Total Child Nutrition Cluster				\$ 1,765,652	\$ -
Virginia Department of Education:					
Child and Adult Care Food Program	10.558	APE70027		52,669	-
Total Department of Agriculture				\$ 1,818,321	\$ -
<u>DEPARTMENT OF EDUCATION:</u>					
<u>Direct payments:</u>					
Adult Education - National Leadership Activities	84.191	N/A		\$ 67,053	\$ -
<u>Pass through payments:</u>					
Virginia Department of Education:					
Title I Grants to Local Educational Agencies	84.010	APE42901		1,890,747	-
Special Education Cluster (IDEA):					
Special Education - Grants to States	84.027	APE43071	\$ 742,576		
Special Education - Preschool Grants	84.173	APE62521	15,569		
Total Special Education Cluster				758,145	-
Career and Technical Education - Basic Grants to States	84.048	APE61095		67,193	-
Rural Education	84.358			63,767	-
English Language Acquisition State Grants	84.365	APE43405		19,624	-
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	APE61480		135,682	-
Student Support and Academic Enrichment Program	84.424	APE60281		172,830	-
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	APE501931		1,545,096	-
Total Department of Education				\$ 4,720,137	\$ -
Total Expenditures of Federal Awards				\$ 15,228,635	\$ 10,907

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, 2025

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, 2025. 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 \$ 7,608,916

Special Revenue Funds:

City Grants Fund 572,696

Capital Projects Funds:

Water & Sewer Fund 821,884

Total primary government \$ 9,003,496

Component Unit School Board:

School Operating Fund \$ 1,672,713

School Grants Fund 3,107,988

School Cafeteria Fund 1,818,320

Total component unit school board \$ 6,599,021

Reconcile federal revenues to expenditures:

Less: Joint Law Enforcement Operation Funds (JLEO formerly ALN 16.111) (1,161)

Less: Federal tax credit subsidy on QSCB bond (372,721)

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 15,228,635

Note 5 - De Minimis Cost Rate

The City did not elect to use the 15-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, 2025

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?	Yes
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>
14.228	Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii
21.027	Coronavirus State and Local Fiscal Recovery Fund

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

Section II – Financial Statement Findings

2025-001 – Material Audit Adjustments

<u>Criteria:</u>	City management is responsible for developing and maintaining an effective system of internal controls over financial closing and reporting that provides reasonable assurance for the reliability of the reported financial information. Identification of material adjustments to the financial statements that were not detected by the City's internal controls in a timely manner indicates that a deficiency in internal control may exist.
<u>Condition:</u>	The financial statements did not include necessary adjustments to ensure such statements were materially correct in accordance with Generally Accepted Accounting Principles (U.S. GAAP).
<u>Cause:</u>	The City did not have adequate internal controls in place to timely detect and correct errors in the financial reporting process.

CITY OF MARTINSVILLE, VIRGINIA

Schedule of Findings and Questioned Costs (Continued) For The Year Ended June 30, 2025

Section II – Financial Statement Findings: (Continued)

2025-001 – Material Audit Adjustments: (Continued)

Effect: There is a reasonable possibility that a misstatement of the City's financial statements will not be prevented or detected and corrected in a timely manner by the City's internal controls over financial reporting.

Recommendation: The City should evaluate the internal controls in place over the financial year-end closing and reporting process and review proposed audit adjustments to ensure that the financial statements are materially correct in accordance with U.S. GAAP.

Management's
Response:

The City of Martinsville has experienced a large turnover in staff the last two years and this has resulted in a drain of institutional knowledge. We have engaged a CPA firm coming in the months of May and June to help with our internal controls, processes and procedures to hopefully correctly the issues now and moving forward.

2025-002 – Late and Unsubmitted Reporting of Federal Expenditures

Assistance Listing: 21.027

Federal Program: Coronavirus State and Local Fiscal Recovery Funds

Federal Agency: Department of the Treasury

Award Year: 2025

Criteria: According to federal grant reporting requirements, Metropolitan cities and counties with a population below 250,000 residents, which received more than \$10 million in funding are required to submit Project & Expenditure Reports within 30 days of the end of each fiscal quarter.

Condition: During the fiscal year, the City had Project & Expenditure Reports which were either not submitted or were submitted more than 30 days after the end of the fiscal quarter.

Cause: The City did not have adequate controls in place to ensure that Project & Expenditure Reports were being filed in a timely manner.

Effect: Late and unsubmitted Project & Expenditure Reports could lead to noncompliance with federal award requirements, potential funding adjustments, and increased risk of audit findings.

Questioned Costs: Not applicable.

Context: The Project & Expenditure Report for the first quarter of the fiscal year was required to be submitted by October 31, 2024, however no report was submitted. Additionally, the report for the second quarter of the fiscal year was required to be submitted by January 31, 2025, but was submitted on April 7, 2025.

Recommendation: The City should evaluate the controls in place over the CSLFRF program to ensure that Project & Expenditure Reports are being filed in a timely manner.

Management's

Response: The City of Martinsville has experienced a large turnover in staff the last two years and this has resulted in a drain of institutional knowledge. We have engaged a CPA firm coming in the months of May and June to help with our internal controls, processes and procedures to hopefully correctly the issues now and moving forward.

Section III – Federal Award Findings and Questioned Costs

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

CITY OF MARTINSVILLE, VIRGINIA

Summary Schedule of Prior Year Audit Findings
For The Year Ended June 30, 2025

2024-001 – Material Audit Adjustments

- Condition: The financial statements did not include necessary adjustments to ensure such statements were materially correct in accordance with Generally Accepted Accounting Principles (U.S. GAAP).
- Recommendation: The City should evaluate the internal controls in place over the financial year-end closing and reporting process and review proposed audit adjustments to ensure that the financial statements are materially correct in accordance with U.S. GAAP.
- Current Status: Audit finding is repeated in the current year.

2024-002 – Timely Request of Reimbursement for Expenditures Incurred

- Condition: The City requested reimbursement in late November 2024 for expenditures related to the Community Development Block Grant (CDBG) Pine Hall Housing Rehabilitation Project that were incurred as far back as January 2024.
- Recommendation: The City should evaluate the controls in place over the CDBG program to ensure that expenditures are being captured in the proper fiscal year and that reimbursement requests are being filed in a timely manner.
- Current Status: Audit finding is not repeated in the current year.