

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



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2010**



**CITY OF MARTINSVILLE, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2010**

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**PREPARED BY:**

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Finance Department



**CITY OF MARTINSVILLE, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**CITY OF MARTINSVILLE, VIRGINIA**

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**City Council**

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Kathty C. Lawson, Mayor  
Kimble Reynolds, Jr., Vice-Mayor

M. Gene Teague

Mark C. Stroud, Sr.

Danny Turner

**School Board**

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James H. Johnson, Chairman  
Bill R. Manning

Nancy L. Baker  
Carolyn McGraw

Robert Williams

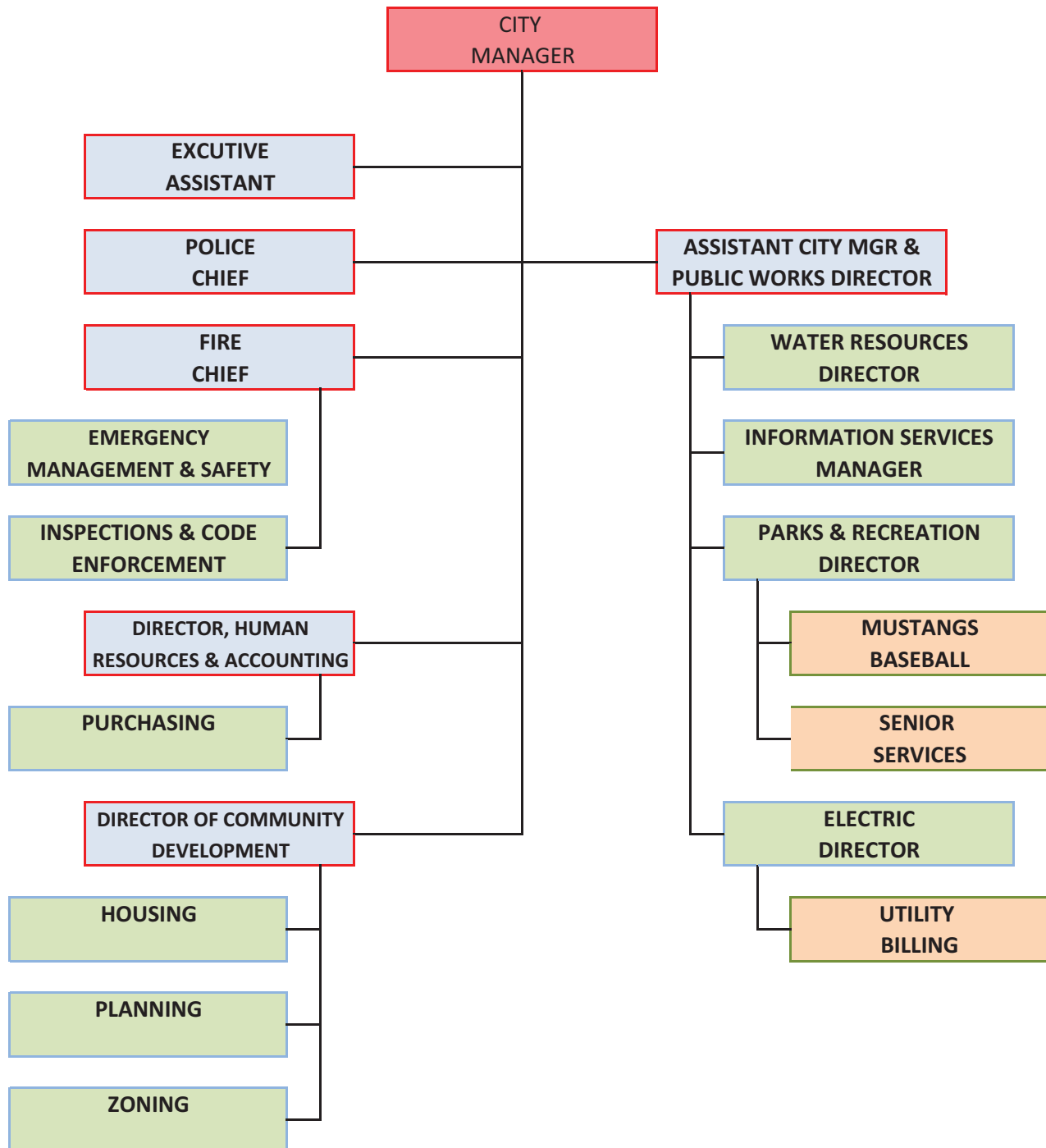
**Other Officials**

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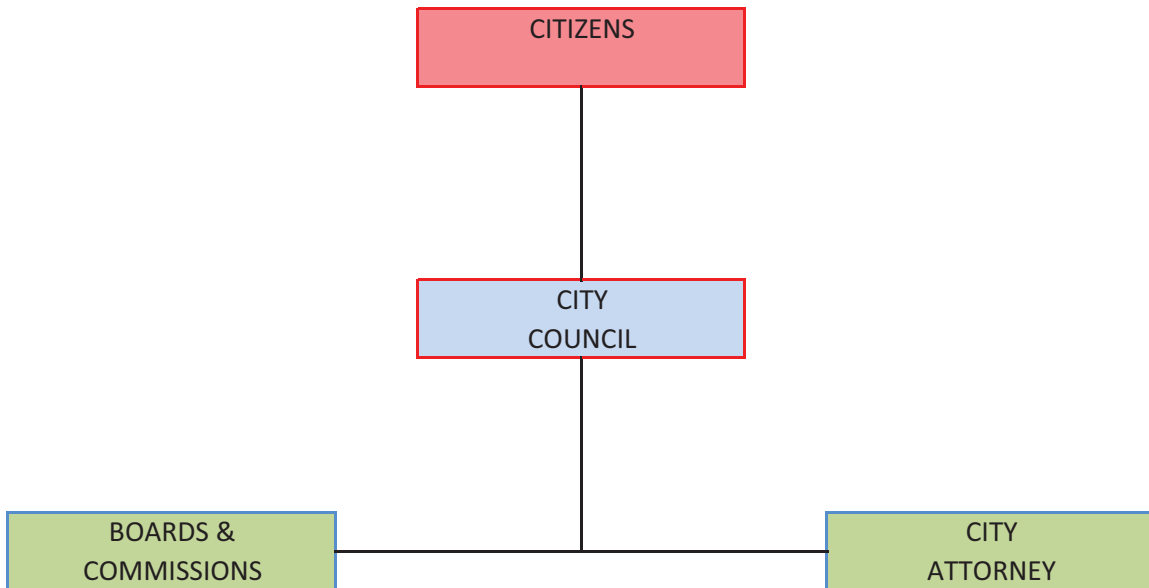
City Manager .....	Clarence C. Monday
Clerk of the Circuit Court .....	Ashby R. Pritchett
City Attorney .....	Eric H. Monday
Commissioner of the Revenue .....	Ruth Easley
Treasurer .....	Cindy Dickerson
Police Chief.....	Michael E. Rogers
Superintendent of Schools.....	Scott R. Kizner
Clerk of the School Board.....	Lynda W. Pulliam
Director of Finance .....	Clarence C. Monday
Sheriff.....	Steve M. Draper
Commonwealth's Attorney.....	Joan Ziglar
Public Works Department Director .....	Leon E. Towarnicki
Water Resources Department Director .....	John H. Dyches
Superintendent of Electric Operation.....	Dennis Bowles
Purchasing Agent .....	Karen H. Mays
Fire Chief .....	Kenneth Draper

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## ORGANIZATIONAL CHART



## ORGANIZATIONAL CHART





December 27, 2010

**To the Honorable Members of the City Council  
To the Citizens of the City of Martinsville, Virginia  
City of Martinsville, Virginia**

We are pleased to present the Comprehensive Annual Financial Report of the City of Martinsville, Virginia, (the "City"), for the fiscal year ended June 30, 2010. This report was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The management of the City is responsible for establishing and maintaining an internal control structure to ensure the protection of City assets. In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**Budgetary Controls.** In addition to the internal accounting controls noted above, the City also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the City Council. Activities of the City's governmental funds are included in the annual appropriated budget.

As a recipient of federal and state financial assistance, the City is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2010 has been completed, and no material internal control weaknesses or material violations of laws and regulations have been identified.

The City adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds.

When necessary, the City Council approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is monitored and reported at the fund level. The budget is implemented through appropriations that the Council makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

## **THE REPORTING ENTITY AND ITS SERVICES**

The City of Martinsville's report includes all funds of the "primary government." In Virginia, cities and counties are distinct units of government; therefore, the City is responsible for providing all services normally provided by a local government. These services include public safety, social services, recreation and cultural activities, and community development. Additionally, the City operates an electric generation and distribution system, water and wastewater utility system and garbage collection services. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, "The Financial Reporting Entity," the City has identified one discrete component unit. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are in substance, part of the primary government's operations, and therefore are included as part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Therefore, the City School Board is reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is appointed by City Council and is fiscally dependent on the local government.

The financial statements for the Blue Ridge Regional Library and the Henry-Martinsville Social Services Board are not included in the City report. Boards separate from, and independent of, the City Council administer these organizations.

## **LOCAL ECONOMY**

Martinsville encompasses a land area of 11 square miles. The City is located in Southside Virginia, approximately midway between Roanoke, Virginia and Greensboro, North Carolina. Two U.S. primary highways (57 & 58) and one U.S Route (220) traverse the City. For decades the City's economy was dominated by the textile and furniture manufacturing. The evolution of these businesses has moved a large portion of the manufacturing process overseas. This caused several local plants to close and others to downsize. The end result has been drastic elimination of textiles in the local economy and a significant reduction in the furniture industry. The remaining manufacturing companies located in the City appear to have weathered this trend.

Based on available economic data, the local economy's growth is slow, at best. The local unemployment rate was 20.2% at June 30, 2010, a small decrease compared to the rate of 21.4% at June 30, 2009. This rate is still substantially higher than the state and national rates of 7.1% and 9.6% respectively.

The City has responded to the economic declines by implementing a proactive economic development program and streamlining expenditures. The City has faith that the economic development program will improve the local economy, which is now just beginning to slowly produce results. Present economic development efforts focus on diversification of jobs, by actively recruiting a variety of industry and business partners. After reassessment, assessed value of taxable Real Estate, exclusive of Public Service, has increased by 7.3% over the prior year. However, the assessed value of Personal Property and Machinery & Tools, exclusive of Public Service, has decreased by 9.5% when compared to the prior year. The City still has a long way to go to recover from the loss of local manufacturing.

## MAJOR INITIATIVES

**For Fiscal Year 2010:** Following the goals and objectives established by the City of Martinsville Council, and with the assistance and guidance of the City Manager, City staff implemented and continued a number of specific “**programs**” designed to provide City residents with cost efficient government while enhancing their community.

Major initiatives begun, continued, or completed during this fiscal year are:

- Shared Economic Development with Henry County
- Revenue-sharing Agreement with Henry County
- Formation of the Phoenix CDC (Community Development Corporation)
- Shared Transfer Station with Henry County
- Methane Collection Project at City’s Former Landfill Site
- Partnership with Henry County for a Rails-to-Trails program traversing parts of both localities
- Agreements with Henry County to Provide Water and Treat Wastewater
- Agreement with Henry County for a Regional Public Transit Service
- Comprehensive Plan for Revitalization of the Uptown Area (Central Business District)

**Shared Economic Development.** The City shares an economic development initiative with the County to combine and greatly expand the development efforts of our two communities. In concert with the local Chamber of Commerce and a local foundation, the economic development effort of the region is financed with an annual budget of \$1.9M; more than double the amount the City and County have expended on these efforts in the past. This new office has a holistic approach to economic development. Instead of merely focusing on recruitment of new business, this office has significant resources and staff to work with existing businesses on retention and expansion, develop projects of community revitalization, manage tourism programs, and foster small business development.

**Revenue-sharing Agreement.** The City and Henry County have entered into a revenue-sharing agreement for three separate industrial parks. Within the agreement, the City will receive one-third of the tax revenue generated after Henry County recovers its initial investment.

**Formation of CDC.** The Phoenix Community Development Corporation was formed in order to implement parts of the City’s Comprehensive Master Plan assisting with Uptown revitalization and to manage property-related efforts as identified.

**Shared Transfer Station.** The City’s landfill reached capacity during Fiscal Year 2006 and was closed. The landfill generated net income of \$2 million - \$2.5 million annually. A partnership with a private company was formed and the private company operates a transfer station to dispose of its garbage. Thus the refuse department’s ability to generate revenues for the City was greatly reduced.

**Methane Collection Project.** As the deteriorating waste at the closed landfill produces methane gas, the City developed a two-phased project to collect the gas and sell carbon credits. Models show that the City’s landfill is capable of producing \$250,000 – 300,000 worth of gross revenue per year, for about 20 years. This project provides the City with the opportunity to replace at least a portion of the revenues lost upon the closing of the landfill.

**Rails-to-Trails Program.** The City partnered with Henry County to create a paved recreational trail that starts in Henry County and ends in the City, on an abandoned railroad route. Property acquisition is complete, and the railroad rails have been removed. At 4.5 miles in length, the project has been completed and is now open to the public. The new trail connects to a spur-trail, 6/10 of a mile in length, running through the City’s central business district. The trail system adds to the quality of life in the region and attracts walkers, joggers, and bicyclists. There are also plans for future expansion connecting locally to the Smith River Sports Complex and the Fieldale Trail, and connecting regionally to the Beaches to Blue Grass Trail, which runs from Kentucky to the Eastern Shore of Virginia.

## **MAJOR INITIATIVES: (CONTINUED)**

**Water/Wastewater.** Henry County surrounds the City and has experienced the same downsizing of its textile and furniture industries. Both the City and County's water and wastewater systems had considerable excess capacity after several textile plants ceased production. Recognizing the under-utilization of both systems, the City and County signed agreements whereby the City's wastewater treatment plant would treat all County waste and the City's water plant would provide additional water to County residents. The water portion of this project was completed in fiscal year 2005 and the City's water revenues increased by \$132,000 annually at that time. The wastewater portion of the project was completed in FY07 and increased wastewater revenues by \$370,000 annually at that time. Combined, the City's utility revenues increased by more than \$500,000 annually. The project was funded by various grants. However during FY09, Henry County changed their business strategy and opted to greatly reduce its purchase of water from the City. This change in practice has reduced City Water Revenue and has reduced the transfer of water profits to the General Fund. Currently, the City treats all Waste Water from Henry County, and there is no indication that this practice will cease in the near future.

**Regional Transit Service** – the City and County jointly launched a regional bus system that started in January 2009. This two-bus system operates from 8:00 AM – 5:30 PM, Monday through Friday. Riders pay a 50 cent fare per ride and can access the bus at stops throughout the main travel routes of the City and can even go into various parts of the County. Stops are mostly through the business district, local hospital, retail sector, and at many community organizations. Both buses were paid with funds from the CTB, and both localities pay a small portion of operational expenses. Daily ridership more than doubled in FY10 over the prior year and it continues to grow in FY11.

**Uptown Revitalization Project.** In 2005, The Harvest Foundation of the Piedmont announced a plan to revitalize the area in which included a \$6M state-of-the art Soccer Complex in Henry County and a \$14M Sports Arena/Multi-Purpose Facility in the Uptown Business District. The project moved forward with the Soccer Complex being completed in FY09 with a price tag of over \$8M. The final product not only involves soccer, but additionally focuses on an outdoor venue for multiple sports and water related activities. In order to determine the best fit for Uptown and to achieve the end results desired, the Sports Arena facility concept was slowed, pending a comprehensive community review process that started in February 2009. After many stakeholder meetings, visits to other successful business districts, and expertise from facilitators, engineers, and consultants, the following has occurred:

- A) Renewed commitment from The Harvest Foundation to honor the original pledge so that the Uptown area is truly revitalized, in a sustainable manner that adds value to the region as a whole.
- B) Another grant from The Harvest Foundation to unify the community and facilitate an inclusive planning process. The end question being, "What will add the most value to transform the Uptown area into a sustainable, thriving economic engine?"
- C) More buy-in and collaboration from the community, Planning Commission, City Council, and Department of Housing and Community Development.
- D) The Comprehensive Master Plan for the Uptown area was completed February 2010. Economic restructuring strategies for the Uptown Revitalization Project include:
  - business, retail, and education
  - visual and performing arts
  - recreation
  - cultural heritage
  - housing and uptown living
- E) The formation of Phoenix CDC (Community Development Corporation) to implement parts of the Master Plan and to manage property related efforts as identified.



## **MAJOR INITIATIVES: (CONTINUED)**

**Prospects for the Future.** For fiscal year 2010 the City Council approved a General Fund Budget of \$29,272,154. The fiscal year 2010 budget contains a real estate tax rate at \$1.018 per \$100 of assessed value, and all other tax rates remain the same. The prior year's RE tax rate was \$1.08, and the aforementioned change was due to an average 7% RE reassessment, and the amended tax rate was initiated to avoid a general tax increase. The City faces several major challenges in the near future. The greatest pertain to the Refuse and Electric Funds. With the closure of the landfill in 2006, the Refuse Fund no longer serves as a major source of cash for the City. Over the last three years of operating the City landfill, the Refuse Fund averaged a positive net cash flow of more than \$2.2 million annually.

With the closure of the landfill, the City pays a third party to dispose of and haul City garbage to another landfill. Refuse rates will continue rising over time as the private contractor increases transfer station fees on an annual basis. Mandatory environmental monitoring per state regulations will continue for the long-term. In FY10, the City increased Refuse rates for residential and commercial entities so that the City would not lose money on the enterprise.

The challenges in the Electric Fund are of continued concern. Current laws regarding deregulation have greatly increased the City's cost to purchase power. The City purchases power on the wholesale market for resale to our customers. Federal law has deregulated electric wholesale market rates, but the Commonwealth has maintained regulation on retail charges.

This forced the City to raise Electric rates charged to our customers by approximately 50% over the last 4 years. In an effort to offer lower rates over the long-term, the City entered into a partnership with AMP (American Municipal Power) for power purchase. The initiative allows the City to purchase power from a portfolio of assets, including coal-fired, hydroelectric, and natural gas, with a long-term commitment. Such prices are believed to be lower than the previous method of purchasing all City power on the market solely.

### **New Revenue Opportunities.**

With direction from City Council, staff has aggressively explored opportunities for new revenue, and one project surfaced with promising profits and is under development. The City operated a municipal landfill until 2006, at which time changes in landfill regulations led the City to close the operation, thus eliminating \$1-1.5 million per year in revenue. Deteriorating landfill wastes yield methane gas, and the City's disposal of sewer wastes adds even more of a prosperous environment for more methane gas as compared to residential garbage alone. Models show that the City's landfill is capable of producing \$250,000 – 300,000 worth of gross revenue per year, in carbon credits, for about 20 years. In FY10, the City developed a two-phased project. Phase 1, collection of methane and selling carbon credits, is underway with an \$800,000 price tag and should be up and running in the third quarter of FY10. Preliminary analysis of Phase 2, electric generation coupled with the same benefits of Phase 1, is underway and could be on line as early as mid-FY11. Phase 2 could generate up to another \$1M in revenue per year, and exact figures will be known about the time that the FY11 budget is being considered by City Council.

## **OTHER INFORMATION**

**Management's Discussion and Analysis.** Generally accepted accounting principles (GAAP) require management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Martinsville's MD&A can be found immediately following the report of the independent auditors.

## OTHER INFORMATION: (CONTINUED)

**Independent Audit.** The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the City by independent certified public accountants selected by the City Council. The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with and the auditor's opinion is included in this report.

**Awards.** The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one (1) year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for consideration.

**Acknowledgments.** The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Finance. We would also like to thank the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner. We would also like to thank the employees of the Treasurer's Office, Commissioner of the Revenue, Clerk's Office and numerous other offices for their assistance in preparing this report.

Respectfully submitted,



City Manager/  
Finance Director



Assistant Director of Finance



Budget Analyst

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Martinsville  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Martinsville, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2010, on our consideration of the City of Martinsville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 and schedules. The introductory section, combining and individual nonmajor fund financial statements and schedules, supporting schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Martinsville, Virginia. The combining and individual nonmajor fund financial statements and schedules, supporting schedules and the schedule of expenditures of federal awards as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
November 17, 2010

### **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, 2010. 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 \$31,514,341 (total net assets). Of this amount \$10,895,159 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The Governmental activities net assets were \$10,081,986 of the City's total, a decrease of \$1,208,565 or 10.7% in comparison with net assets of \$11,290,551 at June 30, 2009.
- Net assets of the City's various business type activities totaled \$21,432,355. This is a decrease of \$231,334 or 1.1% from net assets reported on June 30, 2009.
- The School Board's assets exceeded its liabilities by \$9,929,183, an increase of \$134,541 when compared to the amount on June 30, 2009. However, \$7,286,290 of this amount reflects the School Board's net investment in capital assets leaving \$2,642,893 in unrestricted assets available to meet ongoing obligations. This is a decrease of \$29,315 or 1.1% in the School Board's unrestricted assets for the fiscal year.

#### **Fund Financial Statements**

The Governmental Funds, on a current financial resource basis, reported expenditures in excess of revenues and other financing sources by \$1,223,059 (Exhibit 4) after making direct contributions totaling \$6,018,852 to the School Board. An additional \$1,134,645 was expended from the Meals Tax Fund used to retire School related debt. A total of \$7,153,497 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 \$3,184,774, which is a decrease of \$1,223,059 in comparison with the prior fiscal year.
- At the close of the current fiscal year, the unreserved fund balance for the general fund was \$2,090,139 or 7.2% of total general fund expenditures.
- The combined long-term Governmental obligations decreased \$923,798 or 7.2% during the current fiscal year.



## **Overview of the Financial Statements**

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

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

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

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

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

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

The Statement of Net Assets (exhibit one) presents information on all of the City's assets and liabilities. The difference between assets and liabilities is reported as net assets. Net assets are presented in three categories: invested in capital assets net of related debt, restricted and unrestricted. Over time, increases or decreases in net assets 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 assets changed during the fiscal year. All changes in net assets 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 Assets 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, Capital Projects, and General Administration. Governmental Activities are supported primarily by taxes, state and federal grants, and transfers from the City's Enterprise funds (Electric, Water, Sewer, and Refuse).
2. Business-Type Activities – The City has four business-type activities: Electric, Water, Sewer, and Refuse. The City recovers all or a significant portion of the costs associated with providing these services through user fees and charges to the customers receiving these services.
3. Component Unit – The City has one component unit, the Martinsville Public Schools. While the School System is a legally separate entity, the City of Martinsville is financially accountable for the School System. Financial information for the component unit is reported separately from the financial information presented for the primary government.



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

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

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

The City has one major governmental fund - the *General Fund*. The City has four funds considered Non-major funds. These are the Community Development Block Grant Fund (CDBG), the Housing Choice Fund, the Capital Reserve Fund, and the Meals Tax Fund. For reporting purposes, the CDBG Fund is called the City Grants Fund. The City Grants Fund is then combined with the Housing Choice Fund to create the Special Revenue Funds. The Capital Reserve Fund and the Meals Tax Fund are combined to form the Capital Projects Funds. Together the Special Revenue Funds and the Capital Projects Funds comprise the City's Non-major Governmental Funds. Information on these funds are contained in Exhibits twelve and thirteen. This data is then combined in a single column for the governmental fund balance sheet (exhibit 3) and the governmental fund statement of revenues, expenditures, changes in fund balances (exhibit 4).

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

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

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

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

## **Government-wide Financial Analysis**

As stated earlier in this discussion, net assets may serve as a useful indicator of a City's financial position over time. For the City in FY2010, assets exceeded liabilities by \$31,514,341 at the close of the fiscal year as presented in the Table below. This was a decrease of \$1,439,899 or 4% over the FY2009 closing amount of \$32,954,240.

**City of Martinsville, Virginia**  
**Schedule of Assets, Liabilities and Net Assets**  
**Governmental and Business-Type Activities**  
**Schedule of Assets, Liabilities and Net Assets**  
**For the Years Ended June 30, 2010 and 2009**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Current and other assets	\$ 7,199,520	\$ 7,997,848	\$ 13,121,139	\$ 14,221,918	\$ 20,320,659	\$ 22,219,766
Capital assets	16,296,821	17,618,442	15,681,580	15,210,773	31,978,401	32,829,215
Total assets	\$ 23,496,341	\$ 25,616,290	\$ 28,802,719	\$ 29,432,691	\$ 52,299,060	\$ 55,048,981
Long-term liabilities outstanding	\$ 10,636,094	\$ 11,603,512	\$ 6,034,379	\$ 6,684,855	\$ 16,670,473	\$ 18,288,367
Current liabilities	2,778,260	2,722,227	1,335,985	1,084,147	4,114,245	3,806,374
Total liabilities	\$ 13,414,354	\$ 14,325,739	\$ 7,370,364	\$ 7,769,002	\$ 20,784,718	\$ 22,094,741
Net assets:						
Invested in capital assets, net of related debt	\$ 4,986,603	\$ 5,351,713	\$ 14,419,532	\$ 15,210,773	\$ 19,406,135	\$ 20,562,486
Unrestricted	5,095,384	5,938,838	7,012,823	6,452,916	12,108,207	12,391,754
Total net assets	\$ 10,081,987	\$ 11,290,551	\$ 21,432,355	\$ 21,663,689	\$ 31,514,342	\$ 32,954,240

At the end of FY2010, the City's investment in capital assets, net of related debt is \$19,675,582 and represents 62.4% of total net assets. 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 net of related debt, it should be noted that the resources needed to repay such debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current Fiscal Year, the City's Governmental Activities investment in capital assets net of related debt is \$4,937,602.

Restricted Assets represent resources subject to external restrictions on how they may be used. The City had no restricted assets at the end of the Fiscal Year. The remaining balance of unrestricted net assets in the amount of \$10,895,159, or 34.6% of total net assets, may be used to meet the government's ongoing obligations.

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

**Governmental Activities** - Governmental activities decreased Martinsville City's net assets by \$1,208,565. The key elements of this decrease are found in exhibit 5. Among the primary reasons for this decrease is that although the retirement of debt exceeded the issuance of debt by \$907,510, the net change in fund balances decreased by \$1,223,059.

**City of Martinsville, Virginia**  
**Changes in Net Assets**  
**Governmental and Business-Type Activities**  
**For the Years Ended June 30, 2010 and 2009**

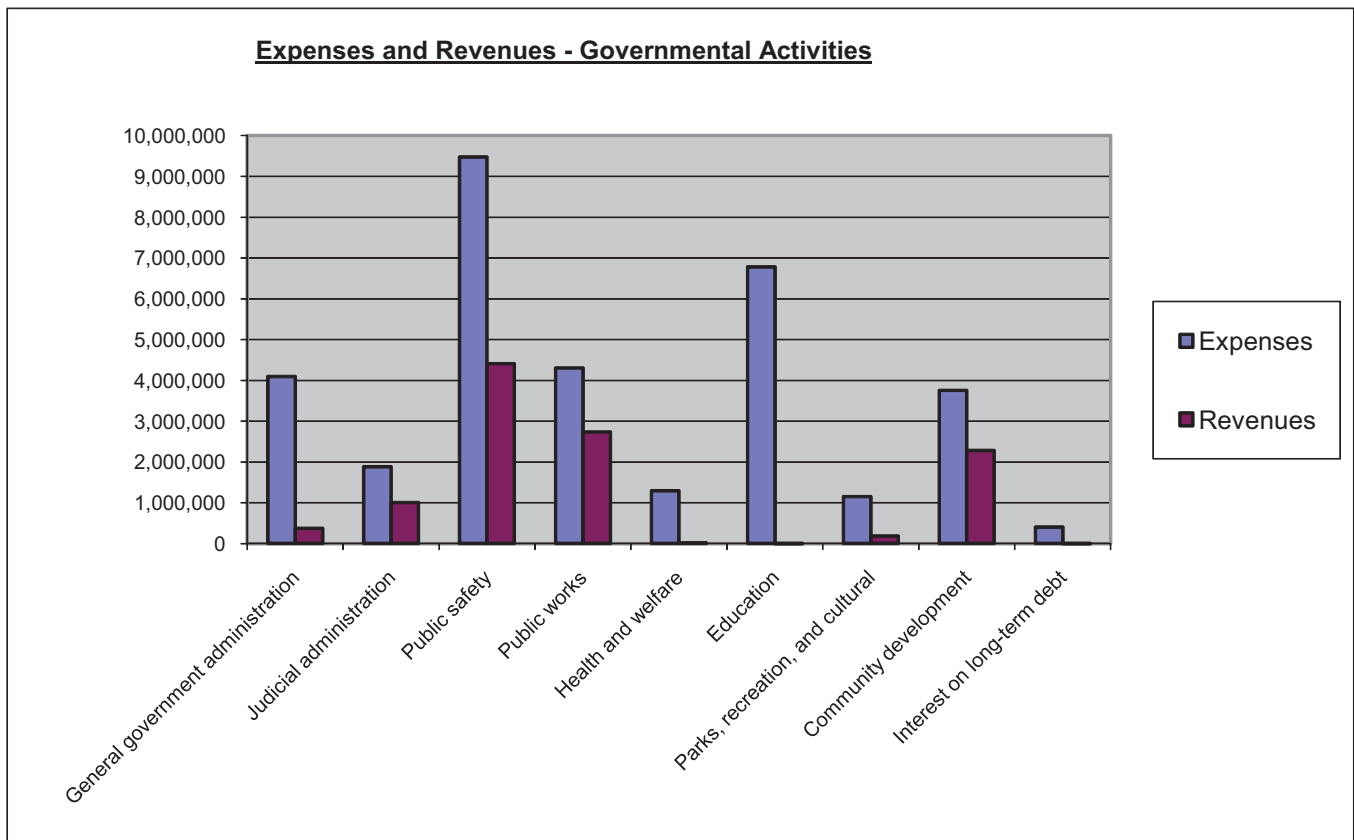
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Revenues:						
Program revenues:						
Charges for services	\$ 1,110,114	\$ 962,239	\$ 24,999,314	\$ 25,253,773	\$ 26,109,428	\$ 26,216,012
Operating grants and contributions	9,319,295	10,054,868	-	-	9,319,295	10,054,868
Capital grants and contributions	590,000	138,691	-	-	590,000	138,691
General revenues:						
General property taxes	9,036,094	9,443,548	-	-	9,036,094	9,443,548
Other local taxes	6,345,922	7,823,526	-	-	6,345,922	7,823,526
Commonwealth non-categorical aid	1,632,852	704,371	-	-	1,632,852	704,371
Other general revenues	1,089,045	1,174,344	14,364	5,505	1,103,409	1,179,849
Total revenues	<u>\$ 29,123,322</u>	<u>\$ 30,301,587</u>	<u>\$ 25,013,678</u>	<u>\$ 25,259,278</u>	<u>\$ 54,137,000</u>	<u>\$ 55,560,865</u>
Expenses:						
General government administration	\$ 4,093,661	\$ 4,276,071	\$ -	\$ -	\$ 4,093,661	\$ 4,276,071
Judicial administration	1,885,494	2,000,159	-	-	1,885,494	2,000,159
Public safety	9,472,187	9,696,451	-	-	9,472,187	9,696,451
Public works	4,304,621	4,692,221	-	-	4,304,621	4,692,221
Health and welfare	1,292,705	582,129	-	-	1,292,705	582,129
Education	6,778,437	7,679,809	-	-	6,778,437	7,679,809
Parks, recreation, and cultural	1,149,286	1,096,975	-	-	1,149,286	1,096,975
Community development	3,755,520	3,954,587	-	-	3,755,520	3,954,587
Interest on long-term debt	402,996	514,838	-	-	402,996	514,838
Electric	-	-	16,432,597	15,660,263	16,432,597	15,660,263
Water	-	-	1,874,519	2,135,742	1,874,519	2,135,742
Sewer	-	-	2,996,728	3,105,291	2,996,728	3,105,291
Refuse collection/landfill	-	-	1,138,147	2,368,403	1,138,147	2,368,403
Total expenses	<u>\$ 33,134,907</u>	<u>\$ 34,493,240</u>	<u>\$ 22,441,991</u>	<u>\$ 23,269,699</u>	<u>\$ 55,576,898</u>	<u>\$ 57,762,939</u>
Increase in net assets before transfers	\$ (4,011,585)	\$ (4,191,653)	\$ 2,571,687	\$ 1,989,579	\$ (1,439,898)	\$ (2,202,074)
Transfers	2,803,021	3,649,442	(2,803,021)	(3,649,442)	-	-
Increase in net assets	<u>\$ (1,208,564)</u>	<u>\$ (542,211)</u>	<u>\$ (231,334)</u>	<u>\$ (1,659,863)</u>	<u>\$ (1,439,898)</u>	<u>\$ (2,202,074)</u>
Net assets-beginning	11,290,551	11,832,761	21,663,689	23,323,552	32,954,240	35,156,313
Net assets - ending	<u>\$ 10,081,987</u>	<u>\$ 11,290,550</u>	<u>\$ 21,432,355</u>	<u>\$ 21,663,689</u>	<u>\$ 31,514,342</u>	<u>\$ 32,954,239</u>

## Government-wide Financial Analysis: (Continued)

Revenues from governmental activities totaled \$29,123,321 with operating grants and contributions (32.0%), general property taxes (31.0%), and other local taxes (25.0%) comprising 88.0% of the City's revenues. Expenses for public safety (28.6%), education (20.5%), community development (11.3%), public works (13.0%) and general government administration (12.4%), account for 85.8% of total governmental expenses of \$33,134,907.

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

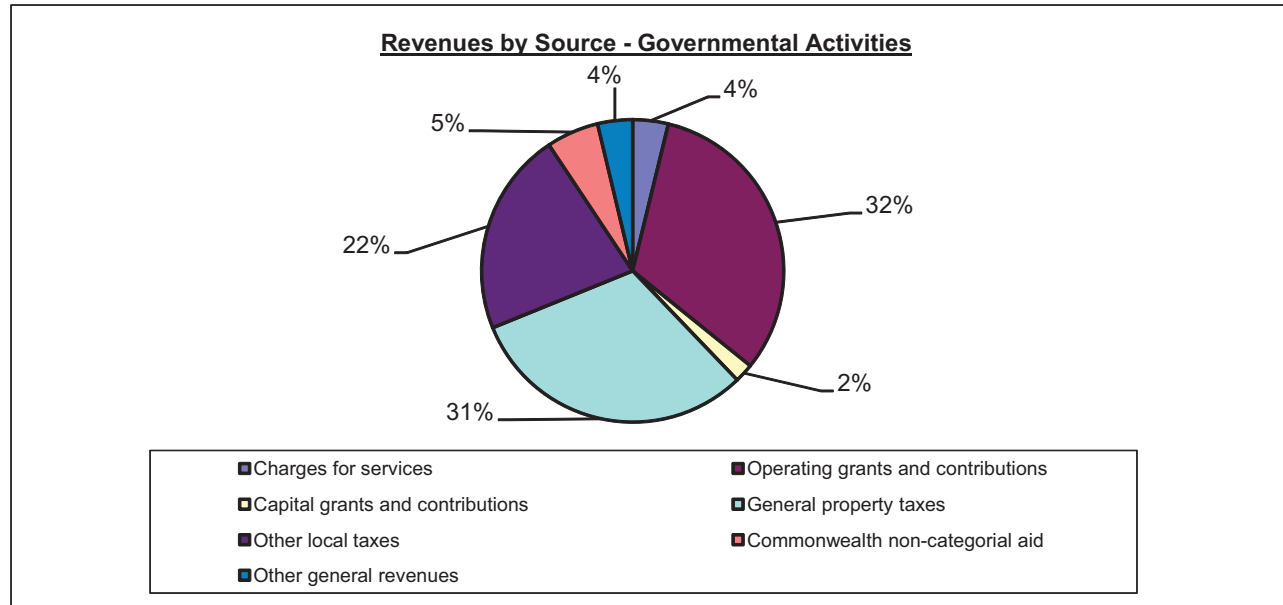
	Expenses	Revenues
General government administration	\$ 4,093,661	\$ 377,433
Judicial administration	1,885,494	1,010,358
Public safety	9,472,187	4,408,934
Public works	4,304,621	2,734,359
Health and welfare	1,292,705	23,973
Education	6,778,437	-
Parks, recreation, and cultural	1,149,286	183,913
Community development	3,755,520	2,280,439
Interest on long-term debt	402,996	-



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

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

Charges for services	\$ 1,110,114
Operating grants and contributions	9,319,295
Capital grants and contributions	590,000
General property taxes	9,036,094
Other local taxes	6,345,922
Commonwealth non-categorical aid	1,632,852
Other general revenues	1,089,045



Business-type Activities decreased the City's net assets by \$231,334 after deducting \$2,803,021 in transfers to the General and Capital Reserve Funds. Transfers decreased \$846,421 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 \$3,184,774, a decrease of \$1,223,059 when compared to the prior year. Ninety-five percent (\$3,030,675) of the combined governmental fund balance is unreserved. The remaining five percent (\$154,099) of the combined fund balance is reserved to show it is not available for spending because it has been committed for future capital projects

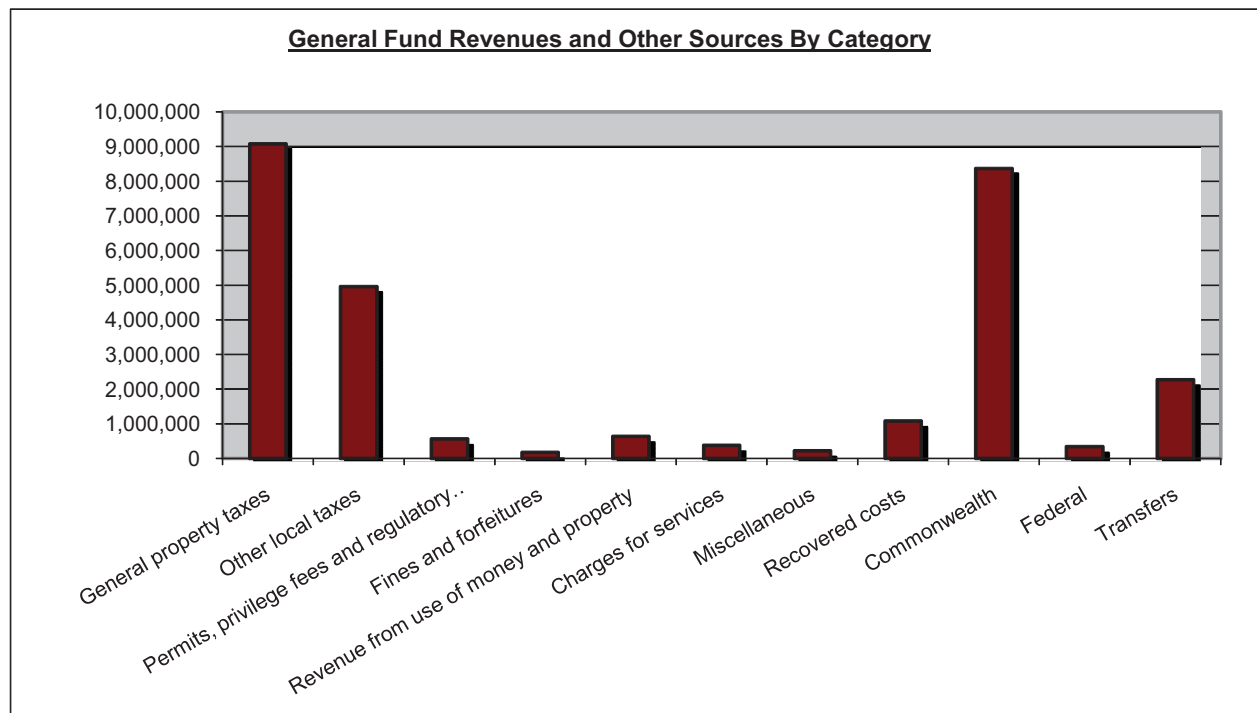
## **Financial Analysis of the City's Funds: (Continued)**

The General Fund is the operating fund of the City. The General Fund reports a fund balance at June 30, 2010 of \$2,244,238. This is a decrease from the prior year of \$869,070. The General Fund's deficiency of revenues over expenditures in the current year (\$3,138,770) decreased by \$337,482 in FY 10 compared to (\$3,476,252) FY09. The transfer amounts into the General Fund of \$2,269,700 decreased by \$499,639 compared to FY09. During FY10, transfers from the Proprietary Funds were maximized to keep tax rates as low as possible, and this decrease is nominal in the grand scheme of all such funds. There were no transfers out of the General Fund. Ninety-three percent or \$2,090,139 of the total fund balance is unreserved, a decrease of \$869,070 from June 30, 2009. As a measure of the General Funds liquidity it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7.2% of total General Fund expenditures, while total fund balance is 7.8% 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 \$28,053,419 including transfers into the fund of \$2,269,700.

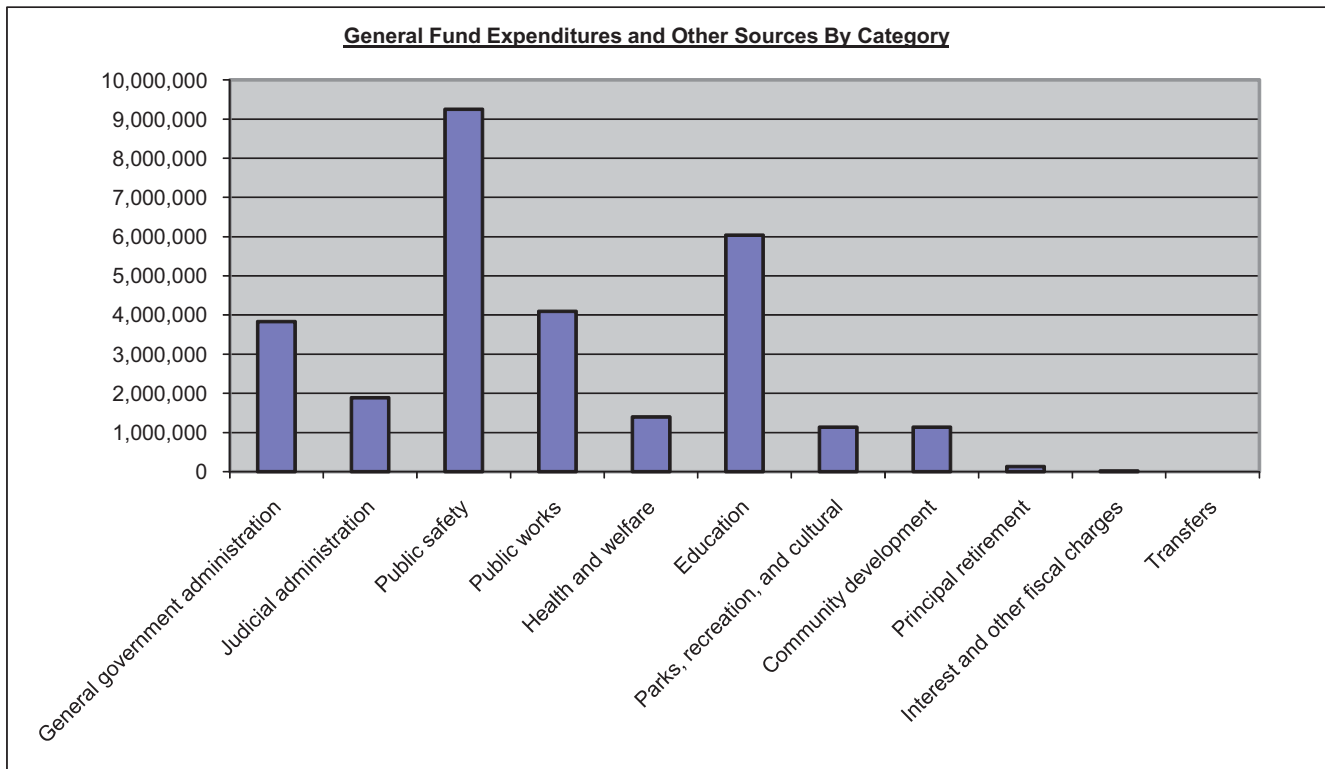
General property taxes	\$	9,080,208
Other local taxes		4,955,015
Permits, privilege fees and regulatory licenses		560,910
Fines and forfeitures		172,344
Revenue from use of money and property		636,423
Charges for services		376,859
Miscellaneous		219,757
Recovered costs		1,077,895
Commonwealth		8,368,309
Federal		335,999
Transfers		2,269,700



## **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 \$28,922,489. There were no transfers out of the fund in the current year.

General government administration	\$	3,830,027
Judicial administration		1,885,975
Public safety		9,251,726
Public works		4,096,393
Health and welfare		1,396,264
Education		6,039,577
Parks, recreation, and cultural		1,136,018
Community development		1,136,973
Principal retirement		131,192
Interest and other fiscal charges		18,344
Transfers		-



**Proprietary funds** – reported combined ending net assets of \$21,432,355, a decrease of \$231,334 in comparison with the amount reported on June 30, 2009. The Electric Fund decreased \$383,476. The Refuse Fund experienced an increase of \$232,739 and the Sewer Fund decreased \$169,474, and the Water Fund increased \$88,877. These decreases were caused by transferring amounts from the funds greater than their Operating Income, not passing on all purchased power increases to City customers and an on-going sludge disposal improvement project, and the methane recovery project at the City's closed landfill site.

The Enterprise Funds contributed \$2,803,021 in the support of other City operations. Of that amount \$2,269,700 or 81.0% was transferred to the General Fund. The remaining \$533,321 or 19.0% was transferred to the Capital Reserve Fund.



## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were relatively minor. Revenues were increased by \$3,330,162 or 12.5% while expenditures increased by \$4,425,508 or 15.12%. The Revenue increases were as follows:

- \$40,000 in Permits, Privilege Fees, and Regulatory Licenses
- \$1,047 in Fines and Forfeitures
- \$100 in Charges for Services
- \$42,985 in Miscellaneous
- \$78,537 in Recovered costs
- \$197,769 in Intergovernmental Revenues from the Commonwealth
- \$2,969,724 in Intergovernmental revenues from the Federal Government

The Expenditure amendments were as follows:

- \$90,492 in General government administration
- \$56,469 in Judicial administration
- \$420,205 in Public Safety
- \$2,970,572 in Public Works
- \$799,000 in Health and Welfare
- \$58,934 in Parks, Recreation, and Cultural
- \$29,836 in Community development

During the year, revenues were below budget by \$4,123,697 or 13.8% and expenditures were less than the budget by \$4,775,173 or 14.2%. The result was a positive variance of \$651,476 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, 2010, is \$31,978,401 (net of accumulated depreciation) as listed in Table 3. This investment in capital assets includes land, buildings and improvements, infrastructure, and machinery and equipment. Significant capital asset events during FY2010 were: continuation of the installation and upgrade of security systems throughout Jail facilities; mobile radios; patrol cars; pickup trucks; service truck; continuation of sludge disposal improvement project; new computer equipment; upgrade and extension of fiber optic communications network; Fire Station, Garage and City Hall renovations; and the methane collection/power generation project.



## **Capital Asset and Debt Administration: (Continued)**

### **City of Martinsville, Virginia's Capital Assets June 30, 2010 and 2009**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Land	\$ 4,379,094	\$ 4,379,094	\$ 683,624	\$ 683,624	\$ 5,062,718	\$ 5,062,718
Construction in progress	-	-	1,451,773	637,655	1,451,773	637,655
Buildings and improvements	13,238,297	13,968,966	3,452,610	3,384,894	16,690,907	17,353,860
Infrastructure	30,533,944	30,533,944	50,962,215	50,252,370	81,496,159	80,786,314
Equipment	7,433,450	7,645,501	7,309,799	7,647,772	14,743,249	15,293,273
Total	\$ 55,584,785	\$ 56,527,505	\$ 63,860,021	\$ 62,606,315	\$ 119,444,806	\$ 119,133,820
Less: accumulated depreciation	39,287,964	38,909,063	48,178,441	47,395,542	87,466,405	86,304,605
Net capital assets	<u>\$ 16,296,821</u>	<u>\$ 17,618,442</u>	<u>\$ 15,681,580</u>	<u>\$ 15,210,773</u>	<u>\$ 31,978,401</u>	<u>\$ 32,829,215</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 FY2010, Martinsville City had total outstanding obligations of \$18,485,330. Of this amount \$12,925,997 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources, i.e., revenue bonds, landfill closure and post-closure liability, compensated absences, notes payable and capital lease obligations.

During the Fiscal Year the City decreased its long-term obligations by \$1,380,161 or 7.0%. The City's obligations decreased \$1,871,770 while no new debt was issued.

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, 2010 the City's ratio of Net General Obligation Debt to Assessed Value was 1.97%. This was a decrease from the previous fiscal year.

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

## **Economic Factors Influencing FY2010 Budgets and Tax Rates**

With minimal to flat growth in the City's tax base, diminishing population, continued national recessionary factors, and a strategy of maintaining current levels of City services, the FY10 budget emphasized streamlining expenses, especially regarding personnel. Management's goal was to reduce personnel through attrition, evaluate all vacancies on a case-by-case basis, reorganization of City departments when optimal, and eliminating twelve full-time positions.

## **Economic Factors Influencing FY2010 Budgets and Tax Rates: (Continued)**

The FY09 and FY10 budgets focused on not only reducing the size of the City government workforce, but also targeted further reorganization of City departments, funding of only vital capital expenditures, limiting the use of debt, reducing operating budgets and funding of outside agencies, and investing in new revenue opportunities.

Management realizes that the trend of providing current levels of services cannot continue without increasing revenues/fees for service and/or without making changes in the manner at which local funds are expended. Over five years, the policy of reducing staffing has cut the City workforce by 39 net FTE positions.

## **FY2010 Opportunities and Challenges**

The City faces opportunities and challenges in FY11 and near future with the most obvious pertaining to the following issues:

1. **Continued high levels of unemployment and diminishing population** - The unemployment rate for the City on June 30, 2010 was 20.2%. This was a decrease of 5.6% from the previous year. The City's unemployment rate compares unfavorably to the state's average unemployment rate of 7.1% and the national average of 9.6% for the same time. The City's population and labor force have been steadily shrinking for the last several years. Various estimates predict the continued loss of population. The disappearance of the local textile industry coupled with the downsizing of the furniture industry have caused the decrease in population and shrinking labor force. Figures provided by the Economic Development Corporation show a net loss of approximately 17,961 jobs in the past 20 years.
2. **National recession** – In a recession that economists estimate to have started in the third quarter of calendar year 2007, the effects of the national economy continued to be felt in the City during FY10, and only nominal growth is predicted during FY11. There are some signs of a slow recovery including the recent construction of a financial institution, a small shopping center, a vehicle service shop, and the steady increase in the issuance of building permits. Management feels that the City is likely to see level to marginal increase in FY11 and remain so until there is sustained improvement in GDP, employment, and consumer confidence.
3. **Continued reductions in state aid** – Due to diminishing State revenue collections, the Commonwealth of Virginia reduced its aid-to-localities in FY09 and again in FY10. The sum of such budgetary adjustments totaled over \$700,000 in various categories including HB 599 Funds (state aid for localities with police departments), reduced funding for constitutional offices, and elimination of ABC and wine taxes. Among the area of highest concern is the fear of major reductions in education funding that the state offers localities, once the ARRA Funding (stimulus) is depleted. Management feels that the City is likely to see less State revenue in FY11 and until approximately one year following the end of the national recession.

## **FY2011 Opportunities and Challenges: (Continued)**

4. **Policy** - The City Council approves the annual budget following staff recommendations, its own analysis of the needs of the City, the City's overall financial position, economic conditions, and after careful consideration of input and comments from the citizens. This methodical process has led to the development of budget principles of not increasing taxes and fees and the continuation of offering the same levels of service that the citizens are accustomed to receiving. Instead of balancing the FY10 budget with an approximate 7% increase in the value of City real property and the associated revenue available, the City's tax rate was rolled back to \$1.018 per \$100 of assessed value (from \$1.08) in order to avoid a real estate tax increase for City taxpayers; the FY10 budget was adopted as such. The FY11 budget was prepared, and subsequently adopted, without an increase in any of the tax rates. However, in order to maintain level utility services and keep pace with increased operating costs, both water and electric (through the power cost adjustment multiplier) rates were subject to increases. In an attempt to assist our older residents with their water bills, a Senior Citizen monthly discount was established. Management understands and emphasizes that the FY12 budget process will continue to be a challenge, identifying priorities for continued financial stability in the future.
5. **Exploration of new revenue opportunities** – With direction from City Council, staff has aggressively explored opportunities for new revenue, and one project surfaced with promising profits and is under development. The City operated a municipal landfill until 2006, at which time changes in landfill regulations led the City to close the operation, thus eliminating \$1-1.5 million per year in revenue. Deteriorating landfill wastes yield methane gas, and the City's disposal of sewer wastes adds even more of a prosperous environment for more methane gas as compared to residential garbage alone. Models show that the City's landfill is capable of producing \$250,000 – 300,000 worth of gross revenue per year, in carbon credits, for about 20 years. In FY10, the City developed a two-phased project. Phase 1, collection of methane and selling carbon credits, is underway with an \$800,000 price tag and is up and running. Preliminary analysis of Phase 2, electric generation coupled with the same benefits of Phase 1, is underway and could be on line as early as 1<sup>st</sup> quarter of FY12. Phase 2 could Reduce purchased power costs by another \$1M per year, and exact figures will be known about the time that the FY12 budget is being considered by City Council. The City received a \$1M grant from the stimulus package to reduce capital project costs associated with Phase 2.
6. **Loss of Water Revenue** – Henry County Public Service Authority was a major water customer of the City's water enterprise. After installation of a water line and partnering with another county, Henry County's decision to drastically reduce the amount of water purchased from the City reduced the City's net income in this enterprise by approximately \$400,000 per year. Both the FY10 and FY11 budgets were adversely affected by this, resulting in less revenue from the Water Fund to transfer to the City's General Fund.

## **FY2011 Opportunities and Challenges: (Continued)**

7. **Uptown Revitalization Project** – In 2005, The Harvest Foundation of the Piedmont, announced a plan to revitalize the area in which included a \$6M state-of-the art Soccer Complex in Henry County and a \$14M Sports Arena/Multi-Purpose Facility in the Uptown Business District. The project moved forward with the Soccer Complex being completed in FY09 with a price tag of over \$8M. The final product not only involves soccer, but additionally focuses on an outdoor venue for multiple sports and water-related activities. In order to determine the best fit for Uptown and to achieve the end results desired, the Sports Arena facility concept was slowed, pending a comprehensive community review process that started in February 2009. After many stakeholder meetings, visits to other successful business districts, and expertise from facilitators, engineers, and consultants, the following has occurred:
- A) Renewed commitment from The Harvest Foundation to honor the original pledge so that the Uptown area is truly revitalized, in a sustainable manner that adds value to the region as a whole.
  - B) Another grant from The Harvest Foundation to unify the community and facilitate an inclusive planning process. The end question being, “What will add the most value to transform the Uptown area into a sustainable, thriving economic engine?”
  - C) More buy-in and collaboration from the community, Planning Commission, City Council, and Department of Housing and Community Development.
  - D) The creation of a comprehensive master plan for the Uptown area, completed in February 2010. Economic restructuring strategies included in the Uptown Revitalization Master Plan include:
    - ☐ Business, retail, and education.
    - ☐ Visual and performing arts.
    - ☐ Recreation.
    - ☐ Cultural heritage.
    - ☐ Housing and Uptown living.
  - E) The formation of Phoenix CDC (Community Development Corporation) in April 2010 to implement parts of the Master Plan and to manage property related efforts as identified.
8. **Energy Efficiency Grants**—The City received two federal grants aimed at decreasing energy expense. \$400,000 was awarded during FY10, for expenditure in FY11, for the purchase of equipment/enhancements to lighting, heating/cooling, etc. within City government buildings. Also, the City was awarded a grant for \$506,681 for expenditure in FY11, to renovate turbines and electricity generating equipment at the City’s hydroelectric facility. This overhaul will reduce the City’s purchase power budget and yield a 6% increase in the efficiency of hydro-electricity generation.

## **FY2011 Opportunities and Challenges: (Continued)**

9. **Job Creation**—The City partners with Henry County in economic development. In FY10, the EDC successfully recruited Faneuil, a top-end customer service center who plans to hire 250-300 employees. Not only does the City benefit from tax revenue, but furthermore, the City will see increases in utilities revenues from this employer.
10. **One-Time Capital Expenditures**—During FY10, the City made non-recurring expenditures including: \$799,000 for the City's share of a facility for the joint City-County Department of Social Services, \$435,000 for the purchase of a former hotel in the City's uptown business district. The Harvest Foundation partnered with the City, thus contributing \$340,000 for a net purchase price of \$95,000. This particular building has great potential for uptown living after renovations as recommended in the recently adopted Uptown Master Plan. Phoenix CDC is currently preparing architectural renderings and will lead the charge of partnering with private investors for development of the building.
11. **Rives Road Apartments**—Landmark Developer Group purchased Martinsville Novelty Corporation in 2010 and immediately began work on this former table manufacturing company built in the 1920s to adaptively reuse the building. It is being transformed into 60 loft apartments containing mixed housing, renamed The Martinsville Lofts. This \$6M investment will provide a positive, beautiful anchoring structure in this neighborhood. Landmark worked with the City of Martinsville to provide housing vouchers to enable a variety of income groups to occupy the building. This is the first project of its kind in Martinsville.
12. **Industrial Park Development**—The City and Henry County not only partner in economic development, but they also have a revenue sharing agreement for three separate industrial parks. Within the agreement, the City is to receive one-third of the tax revenue generated after Henry County recoups its initial investment. One particular industrial park, approximately 600 acres in size, became the focus of aggressive development efforts in FY10 with phased development to continue into FY11 and subsequent fiscal years. Various funding sources were secured, including a city contribution of \$331,900 for installation of water and sewer infrastructure. The next step is to lobby for grading improvements and final site preparation.

All these factors were considered in preparing the City's budgets for the 2010 and 2011 fiscal years.

For fiscal year 2011, City Council approved a General Fund Budget of \$28,146,650. The fiscal year 2011 budget maintains the real estate tax rate at \$1.018 per \$100 of assessed value, and all other tax rates remain the same.

## **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 24114.

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## **Basic Financial Statements**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 3,627,489	\$ 8,196,013	\$ 11,823,502	\$ 3,141,167
Receivables (net of allowance for uncollectibles):				
Property taxes	525,149	-	525,149	-
Accounts receivable	189,331	3,332,837	3,522,168	63,388
Inventory	2,848,120	921,469	3,769,589	-
Internal balances	(670,820)	670,820	-	-
Due from other governments	677,951	-	677,951	1,250,883
Prepaid items	2,300	-	2,300	-
Total Current Assets	\$ 7,199,520	\$ 13,121,139	\$ 20,320,659	\$ 4,455,438
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land	\$ 4,379,094	\$ 683,624	\$ 5,062,718	\$ 47,172
Buildings and improvements	8,372,598	1,039,028	9,411,626	6,367,343
Equipment	1,682,043	2,337,157	4,019,200	871,775
Construction in progress	-	1,451,773	1,451,773	-
Infrastructure	1,863,086	10,169,998	12,033,084	-
Total Capital Assets	\$ 16,296,821	\$ 15,681,580	\$ 31,978,401	\$ 7,286,290
Total Assets	\$ 23,496,341	\$ 28,802,719	\$ 52,299,060	\$ 11,741,728
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 1,327,342	\$ 723,742	\$ 2,051,084	\$ 1,537,589
Accrued interest payable	211,234	37,071	248,305	-
Unearned revenue	-	-	-	177,956
Current portion of long-term obligations	1,239,684	575,172	1,814,856	-
Total Current Liabilities	\$ 2,778,260	\$ 1,335,985	\$ 4,114,245	\$ 1,715,545
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations	10,636,094	6,034,379	16,670,473	97,000
Total Liabilities	\$ 13,414,354	\$ 7,370,364	\$ 20,784,718	\$ 1,812,545
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 4,986,603	\$ 14,419,532	\$ 19,406,135	\$ 7,286,290
Unrestricted assets	5,095,384	7,012,823	12,108,207	2,642,893
Total Net Assets	\$ 10,081,987	\$ 21,432,355	\$ 31,514,342	\$ 9,929,183
Total Liabilities and Net Assets	\$ 23,496,341	\$ 28,802,719	\$ 52,299,060	\$ 11,741,728

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

**CITY OF MARTINSVILLE, VIRGINIA**

Statement of Activities  
Year Ended June 30, 2010

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 4,093,661	\$ 143,120	\$ 234,313	\$ -
Judicial administration	1,885,494	273,737	736,621	-
Public safety	9,472,187	421,844	3,397,090	590,000
Public works	4,304,621	109,045	2,625,314	-
Health and welfare	1,292,705	-	23,973	-
Education	6,778,437	-	-	-
Parks, recreation, and cultural	1,149,286	162,368	21,545	-
Community development	3,755,520	-	2,280,439	-
Interest on long-term debt	402,996	-	-	-
Total governmental activities	\$ 33,134,907	\$ 1,110,114	\$ 9,319,295	\$ 590,000
Business-type activities:				
Electric	\$ 16,432,597	\$ 16,624,330	\$ -	\$ -
Water	1,874,519	2,912,964	-	-
Sewer	2,996,728	3,763,519	-	-
Refuse collection / landfill	1,138,147	1,698,501	-	-
Total business-type activities	\$ 22,441,991	\$ 24,999,314	\$ -	\$ -
Total primary government	\$ 55,576,898	\$ 26,109,428	\$ 9,319,295	\$ 590,000
COMPONENT UNIT:				
School Board	\$ 26,291,638	\$ 567,439	\$ 18,941,820	\$ -
General revenues:				
General property taxes				
Local sales tax				
Business license tax				
Meals tax				
Consumer utility tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Commonwealth of Virginia non-categorical aid				
City contribution to the school board, unrestricted				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business Type Activities	Total	School Board	Functions/Programs
PRIMARY GOVERNMENT:				
Governmental activities:				
\$ (3,716,228)	\$ -	\$ (3,716,228)	\$ -	General government administration
(875,136)	-	(875,136)	-	Judicial administration
(5,063,253)	-	(5,063,253)	-	Public safety
(1,570,262)	-	(1,570,262)	-	Public works
(1,268,732)	-	(1,268,732)	-	Health and welfare
(6,778,437)	-	(6,778,437)	-	Education
(965,373)	-	(965,373)	-	Parks, recreation, and cultural
(1,475,081)	-	(1,475,081)	-	Community development
(402,996)	-	(402,996)	-	Interest on long-term debt
\$ (22,115,498)	\$ -	\$ (22,115,498)	\$ -	Total government activities
Business-type activities:				
\$ -	\$ 191,733	\$ 191,733	\$ -	Electric
-	1,038,445	1,038,445	-	Water
-	766,791	766,791	-	Sewer
-	560,354	560,354	-	Refuse collection / landfill
\$ -	\$ 2,557,323	\$ 2,557,323	\$ -	Total business-type activities
\$ (22,115,498)	\$ 2,557,323	\$ (19,558,175)	\$ -	Total primary government
COMPONENT UNIT:				
\$ -	\$ -	\$ -	\$ (6,782,379)	School Board
General revenues:				
\$ 9,036,094	\$ -	\$ 9,036,094	\$ -	General property taxes
1,759,239	-	1,759,239	-	Local sales tax
1,676,826	-	1,676,826	-	Business license tax
1,390,907	-	1,390,907	-	Meals tax
718,563	-	718,563	-	Consumer utility tax
800,387	-	800,387	-	Other local taxes
714,804	14,364	729,168	74,627	Unrestricted revenues from use of money and property
374,241	-	374,241	277,478	Miscellaneous
1,632,852	-	1,632,852	-	Commonwealth of Virginia non-categorical aid
-	-	-	6,564,815	City contribution to the school board, unrestricted
2,803,021	(2,803,021)	-	-	Transfers
\$ 20,906,934	\$ (2,788,657)	\$ 18,118,277	\$ 6,916,920	Total general revenues and transfers
\$ (1,208,564)	\$ (231,334)	\$ (1,439,898)	\$ 134,541	Change in net assets
11,290,551	21,663,689	32,954,240	9,794,642	Net assets - beginning
\$ 10,081,987	\$ 21,432,355	\$ 31,514,342	\$ 9,929,183	Net assets - ending

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## **Fund Financial Statements**

Balance Sheet - Governmental Funds  
At June 30, 2010

	General	Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,098,947	\$ 1,528,542	\$ 3,627,489
Receivables (net of allowance for uncollectibles):			
Taxes, including penalties	525,149	-	525,149
Accounts	159,377	29,954	189,331
Inventory	543,036	-	543,036
Due from other governmental units	552,166	125,785	677,951
Prepaid items	2,300	-	2,300
Total assets	<u>\$ 3,880,975</u>	<u>\$ 1,684,281</u>	<u>\$ 5,565,256</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,254,417	\$ 72,925	\$ 1,327,342
Due to other funds	-	670,820	670,820
Deferred revenue	382,320	-	382,320
Total liabilities	<u>\$ 1,636,737</u>	<u>\$ 743,745</u>	<u>\$ 2,380,482</u>
<b>FUND BALANCES</b>			
Unreserved, designated for:			
Development reserve	\$ 45,037	\$ -	\$ 45,037
Thoroughfare construction	109,062	-	109,062
Undesignated reported in:			
General fund	2,090,139	-	2,090,139
Special revenue funds	-	(230,984)	(230,984)
Capital projects	-	1,171,520	1,171,520
Total fund balances	<u>\$ 2,244,238</u>	<u>\$ 940,536</u>	<u>\$ 3,184,774</u>
Total liabilities and fund balances	<u>\$ 3,880,975</u>	<u>\$ 1,684,281</u>	<u>\$ 5,565,256</u>

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

Total fund balances per exhibit 3 - Balance Sheet - Governmental Funds	3,184,774
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	16,296,821
Inventory of land and buildings held for resale	2,305,084
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(211,234)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.	382,320
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 assets.	(11,875,778)
Net assets of General Government Activities	<u>\$ 10,081,987</u>

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



Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2010

	General	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
General property taxes	\$ 9,080,208	\$ -	\$ 9,080,208
Other local taxes	4,955,015	1,390,907	6,345,922
Permits, privilege fees and regulatory licenses	560,910	-	560,910
Fines and forfeitures	172,344	-	172,344
Revenue from use of money and property	636,423	78,381	714,804
Charges for services	376,859	-	376,859
Miscellaneous	219,757	154,484	374,241
Recovered costs	1,077,895	-	1,077,895
Intergovernmental:			
Commonwealth	8,368,309	600,000	8,968,309
Federal	335,999	2,237,839	2,573,838
Total revenues	<u>\$ 25,783,719</u>	<u>\$ 4,461,611</u>	<u>\$ 30,245,330</u>
Expenditures:			
Current:			
General government administration	\$ 3,830,027	\$ 939,745	\$ 4,769,772
Judicial administration	1,885,975	-	1,885,975
Public safety	9,251,726	147,754	9,399,480
Public works	4,096,393	44,924	4,141,317
Health and welfare	1,396,264	-	1,396,264
Education	6,039,577	-	6,039,577
Parks, recreation, and cultural	1,136,018	29,168	1,165,186
Community development	1,136,973	3,036,240	4,173,213
Debt service:			
Principal retirement	131,192	1,120,318	1,251,510
Interest and other fiscal charges	18,344	370,772	389,116
Total expenditures	<u>\$ 28,922,489</u>	<u>\$ 5,688,921</u>	<u>\$ 34,611,410</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (3,138,770)</u>	<u>\$ (1,227,310)</u>	<u>\$ (4,366,080)</u>
Other financing sources (uses):			
Issuance of debt	\$ -	\$ 340,000	\$ 340,000
Transfers in	2,269,700	827,134	3,096,834
Transfers (out)	-	(293,813)	(293,813)
Total other financing sources	<u>\$ 2,269,700</u>	<u>\$ 873,321</u>	<u>\$ 3,143,021</u>
Changes in fund balances	<u>\$ (869,070)</u>	<u>\$ (353,989)</u>	<u>\$ (1,223,059)</u>
Fund balances at beginning of year	<u>3,113,308</u>	<u>1,294,525</u>	<u>4,407,833</u>
Fund balances at end of year	<u>\$ 2,244,238</u>	<u>\$ 940,536</u>	<u>\$ 3,184,774</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, 2010

		<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	\$	(1,223,059)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current year.		
Capital outlay	\$ 244,073	
Depreciation expense	<u>(1,019,731)</u>	(775,658)
Inventory of land and buildings purchased during the year and held for resale		470,310
Transfer of joint tenancy assets from Primary Government to the Component Unit		(545,963)
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 change in deferred taxes.		(44,114)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Details supporting this adjustment are as follows:		
Principal retired on debt on literary fund loans	\$ 625,000	
Principal retired on general obligation bonds	216,000	
Principal retired on capital lease obligations	304,841	
Principal retired on VPSA subsidy bonds	105,669	
Other post employment benefits	(3,999)	
Proceeds from indebtedness	<u>(340,000)</u>	907,511
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 accrued leave	\$ 16,289	
Change in interest payable	<u>(13,880)</u>	<u>2,409</u>
Change in net assets of governmental activities	\$	<u>(1,208,564)</u>

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

Proprietary Funds  
Statement of Net Assets  
At June 30, 2010

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 2,085,433	\$ -	\$ 358,731	\$ 5,751,849	\$ 8,196,013
Receivables (net of allowance for uncollectibles):	2,288,461	394,004	402,429	247,943	3,332,837
Due from other funds	-	-	-	853,829	853,829
Inventory	771,425	150,044	-	-	921,469
Total current assets	\$ 5,145,319	\$ 544,048	\$ 761,160	\$ 6,853,621	\$ 13,304,148
<b>Noncurrent Assets</b>					
Capital assets:					
Land	\$ -	\$ 658,224	\$ 25,400	\$ -	\$ 683,624
Construction in progress	780,499	-	-	671,274	1,451,773
Buildings and improvements	586,744	1,490,751	1,069,859	305,256	3,452,610
Equipment	2,325,918	1,438,201	2,032,121	1,513,559	7,309,799
Infrastructure	24,475,306	10,888,926	15,597,983	-	50,962,215
Less accumulated depreciation	(21,439,165)	(10,245,901)	(15,095,244)	(1,398,131)	(48,178,441)
Total capital assets (net of accumulated depreciation)	\$ 6,729,302	\$ 4,230,201	\$ 3,630,119	\$ 1,091,958	\$ 15,681,580
Total assets	\$ 11,874,621	\$ 4,774,249	\$ 4,391,279	\$ 7,945,579	\$ 28,985,728
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 51,524	\$ 6,838	\$ 167,388	\$ 129,550	\$ 355,300
Customers' deposits payable	321,782	46,660	-	-	368,442
Due to other funds	-	183,009	-	-	183,009
Interest payable	2,585	-	743	33,743	37,071
Current portion of long-term obligations	20,670	5,884	131,119	417,499	575,172
Total current liabilities	\$ 396,561	\$ 242,391	\$ 299,250	\$ 580,792	\$ 1,518,994
<b>Noncurrent liabilities:</b>					
Noncurrent portion of long-term obligations	210,527	52,959	251,224	5,519,669	6,034,379
Total liabilities	\$ 607,088	\$ 295,350	\$ 550,474	\$ 6,100,461	\$ 7,553,373
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 6,555,802	\$ 4,230,201	\$ 3,311,671	\$ 321,858	\$ 14,419,532
Unrestricted assets	4,711,731	248,698	529,134	1,523,260	7,012,823
Total Net Assets	\$ 11,267,533	\$ 4,478,899	\$ 3,840,805	\$ 1,845,118	\$ 21,432,355
Total Liabilities and Net Assets	\$ 11,874,621	\$ 4,774,249	\$ 4,391,279	\$ 7,945,579	\$ 28,985,728

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

Proprietary Funds  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2010

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Collection/ Landfill Fund</u>	<u>Total</u>
<b>Operating revenues:</b>					
Charges for services	\$ 16,573,219	\$ 2,769,657	\$ 3,737,061	\$ 1,555,366	\$ 24,635,303
Miscellaneous	<u>51,111</u>	<u>143,307</u>	<u>26,458</u>	<u>143,135</u>	<u>364,011</u>
Total operating revenues	<u>\$ 16,624,330</u>	<u>\$ 2,912,964</u>	<u>\$ 3,763,519</u>	<u>\$ 1,698,501</u>	<u>\$ 24,999,314</u>
<b>Operating expenses:</b>					
Personal services	\$ 628,157	\$ 626,728	\$ 811,129	\$ 150,155	\$ 2,216,169
Fringe benefits	185,805	213,880	277,856	54,129	731,670
Contractual services	175,012	40,773	27,640	241,347	484,772
Other charges	15,003,993	714,726	1,319,761	551,568	17,590,048
Depreciation	<u>433,441</u>	<u>278,412</u>	<u>549,155</u>	<u>64,660</u>	<u>1,325,668</u>
Total operating expenses	<u>\$ 16,426,408</u>	<u>\$ 1,874,519</u>	<u>\$ 2,985,541</u>	<u>\$ 1,061,859</u>	<u>\$ 22,348,327</u>
<b>Operating income (loss)</b>	<u>\$ 197,922</u>	<u>\$ 1,038,445</u>	<u>\$ 777,978</u>	<u>\$ 636,642</u>	<u>\$ 2,650,987</u>
<b>Non-operating revenues (expenses):</b>					
Interest income	\$ 2,816	\$ -	\$ 136	\$ 11,412	\$ 14,364
Interest expense	<u>(6,189)</u>	<u>-</u>	<u>(11,187)</u>	<u>(76,288)</u>	<u>(93,664)</u>
Total non-operating revenues (expenses)	<u>\$ (3,373)</u>	<u>\$ -</u>	<u>\$ (11,051)</u>	<u>\$ (64,876)</u>	<u>\$ (79,300)</u>
<b>Income (loss) before transfers</b>	<u>\$ 194,549</u>	<u>\$ 1,038,445</u>	<u>\$ 766,927</u>	<u>\$ 571,766</u>	<u>\$ 2,571,687</u>
<b>Transfers:</b>					
Transfers (out)	<u>(578,025)</u>	<u>(949,568)</u>	<u>(936,401)</u>	<u>(339,027)</u>	<u>(2,803,021)</u>
<b>Changes in net assets</b>	<u>\$ (383,476)</u>	<u>\$ 88,877</u>	<u>\$ (169,474)</u>	<u>\$ 232,739</u>	<u>\$ (231,334)</u>
<b>Net assets at beginning of year</b>	<u>11,651,009</u>	<u>4,390,022</u>	<u>4,010,279</u>	<u>1,612,379</u>	<u>21,663,689</u>
<b>Net assets at end of year</b>	<u><u>\$ 11,267,533</u></u>	<u><u>\$ 4,478,899</u></u>	<u><u>\$ 3,840,805</u></u>	<u><u>\$ 1,845,118</u></u>	<u><u>\$ 21,432,355</u></u>

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

Proprietary Funds  
Statement of Cash Flows  
Year Ended June 30, 2010

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers and users	\$ 16,403,520	\$ 2,876,000	\$ 3,732,677	\$ 1,673,745	\$ 24,685,942
Payments to suppliers and other operating expenses	(15,243,309)	(766,654)	(1,215,304)	925,420	(16,299,847)
Payments to employees (including fringe benefits)	(829,409)	(843,737)	(1,207,272)	(204,284)	(3,084,702)
<b>Net cash provided by operating activities</b>	<b>\$ 330,802</b>	<b>\$ 1,265,609</b>	<b>\$ 1,310,101</b>	<b>\$ 2,394,881</b>	<b>\$ 5,301,393</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	\$ (717,045)	\$ (208,285)	\$ (199,870)	\$ (671,274)	\$ (1,796,474)
Interest paid on debt	(6,189)	-	(11,187)	(76,288)	(93,664)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>\$ (723,234)</b>	<b>\$ (208,285)</b>	<b>\$ (211,057)</b>	<b>\$ (747,562)</b>	<b>\$ (1,890,138)</b>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Transfers	\$ (578,025)	\$ (949,568)	\$ (936,401)	\$ (339,027)	\$ (2,803,021)
Retirements of general obligation bonds	-	-	(60,244)	(1,982,600)	(2,042,844)
Due from other funds	-	-	-	102,498	102,498
Due to other funds	-	(107,756)	-	-	(107,756)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>\$ (578,025)</b>	<b>\$ (1,057,324)</b>	<b>\$ (996,645)</b>	<b>\$ (2,219,129)</b>	<b>\$ (4,851,123)</b>
<b>Cash Flows From Investing Activities:</b>					
Interest income	\$ 2,816	\$ -	\$ 137	\$ 11,412	\$ 14,365
<b>Increase in cash and cash equivalents</b>	<b>\$ (967,641)</b>	<b>\$ -</b>	<b>\$ 102,536</b>	<b>\$ (560,398)</b>	<b>\$ (1,425,503)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3,053,074</b>	<b>-</b>	<b>256,195</b>	<b>6,312,247</b>	<b>9,621,516</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,085,433</b>	<b>\$ -</b>	<b>\$ 358,731</b>	<b>\$ 5,751,849</b>	<b>\$ 8,196,013</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 197,922	\$ 1,038,445	\$ 777,978	\$ 636,642	\$ 2,650,987
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	\$ 433,441	\$ 278,412	\$ 549,155	\$ 64,660	\$ 1,325,668
Changes in operating assets and liabilities:					
(Increase) in accounts receivable	(225,695)	(38,174)	(30,842)	(24,756)	(319,467)
Increase (decrease) in:					
Accounts and interest payable	(64,304)	(11,155)	71,853	55,236	51,630
Accrued leave	(15,447)	(3,129)	(58,043)	1,663,099	1,586,480
Customer deposits	4,885	1,210	-	-	6,095
Total adjustments	\$ 132,880	\$ 227,164	\$ 532,123	\$ 1,758,239	\$ 2,650,406
<b>Net cash provided by operating activities</b>	<b>\$ 330,802</b>	<b>\$ 1,265,609</b>	<b>\$ 1,310,101</b>	<b>\$ 2,394,881</b>	<b>\$ 5,301,393</b>

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

Statement of Fiduciary Net Assets --  
Agency Funds  
At June 30, 2010

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	<b>Agency Funds</b>
<hr/>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,134,438
Total assets	\$ 1,134,438
	<hr/>
<b>LIABILITIES</b>	
Accounts payable	\$ 35,559
Amounts held for others	1,098,879
	<hr/>
Total liabilities	\$ 1,134,438
	<hr/>

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

## CITY OF MARTINSVILLE, VIRGINIA

### Notes to Financial Statements As of June 30, 2010

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

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

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

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

#### Government-wide and Fund Financial Statements

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

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

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

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

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

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

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



## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

*Blended Component Unit.* The City has no blended component units at June 30, 2010.

*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, 2010.

#### Included in the City's Financial Report

None

#### **C. Other Related Organizations**

#### Excluded from the City's Financial Report

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

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

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

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

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

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.

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 deferred 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.

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

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 General Fund as a major governmental fund.

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

The City reports the following non-major governmental funds:

**Special Revenue Funds:** Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the City Grants Fund and the Housing Choice Fund.

**Capital Projects Funds** - Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. Capital Projects Funds consist of the Capital Reserve Fund, and the Meals Tax Fund.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

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

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 non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Fiduciary Funds – (Trust and Agency Funds) – account for assets held by the City unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. Agency funds utilize the accrual basis of accounting to recognize receivables and payables. Fiduciary funds are not included in the government-wide financial statements. Agency funds include the Insurance Fund, Sheriff's Fund, West Piedmont Business Development Center Fund (WPBDC), Police Academy Fund, and the Southern Virginia Recreation Facility Authority Fund.

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

#### **E. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### **E. Cash and Cash Equivalents: (Continued)**

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

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

#### **F. Investments**

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

#### **G. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,728,762 at June 30, 2010 is composed solely of the following:

##### General Fund

Allowance for uncollectible property taxes	\$ <u>560,566</u>
--------------------------------------------	-------------------

##### Enterprise Funds

Allowance for uncollectible accounts:

Electric Fund	\$ 778,040
Water Fund	138,476
Sewer Fund	152,766
Refuse Collection/Landfill Fund	<u>98,914</u>

Total allowance for uncollectible accounts – Enterprise funds	\$ <u>1,168,196</u>
---------------------------------------------------------------	---------------------

Total allowance for uncollectible accounts	\$ <u><u>1,728,762</u></u>
--------------------------------------------	----------------------------

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

G. Receivables and payables: (Continued)

Real and Personal Property Tax Data:

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

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

The City bills and collects its own property taxes.

H. Inventory

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

I. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2010 was immaterial.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### **I. Capital Assets: (Continued)**

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

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

#### **J. Compensated Absences**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement. A liability for these amounts is recorded in the governmental funds only if they have matured, for example, as a result of employee retirement.

#### **K. Retirement Plan**

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost over a 30-year period. The City's policy is to fund pension cost as it accrues.

#### **L. Unbilled Revenue**

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



## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### **M. 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.

#### **N. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **O. Net Assets**

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

#### **P. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Q. 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.



## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### **Q. Component Unit—School board Capital Asset and Debt Presentation: (Continued)**

In the Statement of Net assets, 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 assets of the City. The corresponding capital assets are reported as assets of the Component Unit-School Board (title holder), thereby increasing its net assets.

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.

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

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

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

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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### Note 2—Stewardship, Compliance, and Accounting: (Continued)

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#### Expenditures and Appropriations

Expenditures exceed appropriations as follows for the fiscal year ended June 30, 2010:

<u>Fund/ Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess of Expenditures Over Appropriations</u>
School Cafeteria Fund	\$ 1,180,987	\$ 1,387,812	\$ (206,825)
	<u>\$ 1,180,987</u>	<u>\$ 1,387,812</u>	<u>\$ (206,825)</u>

#### Fund Deficits

The following funds had deficit balances at June 30, 2010:

City Grants Fund	\$ 435,573
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### Note 3—Deposits:

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#### Deposits:

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act; Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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

The component unit school board is part of the City's pooled cash and has a net balance in the amount of \$3,141,167 at June 30, 2010.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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### Note 4—Due from Other Governments:

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At June 30, 2010 the City has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
Local Sales Tax	\$ 158,515	\$ -
State Sales Tax	-	194,152
Constitutional officer reimbursements	225,469	-
Highway projects	21,390	-
Armory reimbursement	8,304	-
Miscellaneous grants	27,772	210,241
Comprehensive service	8,349	-
Communication taxes	81,092	-
Federal Government:		
School fund grants	-	846,490
Community development block grant	122,285	-
Other federal grants	<u>24,775</u>	<u>-</u>
Total due from other governments	\$ <u>677,951</u>	\$ <u>1,250,883</u>

### Note 5—Inventory:

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At June 30, 2010 the City has inventory recorded in the various funds as follows:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Expendable supplies	\$ 543,036	\$ 921,469
Land and building inventory held for resale:		
97 Commercial residential lots held for resale	1,684,348	-
6 Commercial buildings held for resale	<u>620,736</u>	<u>-</u>
Totals	\$ <u>2,848,120</u>	\$ <u>921,469</u>

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

### **Note 6—Capital Assets:**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2010:

#### **Primary Government:**

#### **Governmental Activities:**

	<b>Adjusted Balance July 1, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2010</b>
Capital assets, not being depreciated:				
Land	\$ 4,379,094	\$ -	\$ -	\$ 4,379,094
Capital assets being depreciated:				
Buildings	\$ 5,522,400	\$ -	\$ -	\$ 5,522,400
Equipment	7,645,501	244,073	456,124	7,433,450
Infrastructure	30,533,944	-	-	30,533,944
Jointly owned assets	8,446,566	-	730,669	7,715,897
Total capital assets being depreciated	\$ 52,148,411	\$ 244,073	\$ 1,186,793	\$ 51,205,691
Less accumulated depreciation for:				
Buildings	\$ 2,971,288	\$ 107,622	\$ -	\$ 3,078,910
Equipment	5,641,820	565,711	456,124	5,751,407
Infrastructure	28,517,357	153,501	-	28,670,858
Jointly owned assets	1,778,598	192,897	184,706	1,786,789
Total accumulated depreciation	\$ 38,909,063	\$ 1,019,731	\$ 640,830	\$ 39,287,964
Total capital assets being depreciated, net	\$ 13,239,348	\$ (775,658)	\$ 545,963	\$ 11,917,727
Governmental capital assets, net	\$ 17,618,442	\$ (775,658)	\$ 545,963	\$ 16,296,821

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

## Note 6—Capital Assets: (Continued)

### Primary Government:

### Business-Type Activities:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Electric Fund:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ <u>637,655</u>	\$ <u>142,844</u>	\$ <u>-</u>	\$ <u>780,499</u>
Capital assets being depreciated:				
Buildings and improvements	\$ <u>586,744</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>586,744</u>
Equipment	<u>2,710,315</u>	<u>24,890</u>	<u>409,286</u>	<u>2,325,919</u>
Infrastructure	<u>23,925,993</u>	<u>549,312</u>	<u>-</u>	<u>24,475,305</u>
Total capital assets being depreciated	\$ <u>27,223,052</u>	\$ <u>574,202</u>	\$ <u>409,286</u>	\$ <u>27,387,968</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ <u>585,971</u>	\$ <u>129</u>	\$ <u>-</u>	\$ <u>586,100</u>
Equipment	<u>1,972,198</u>	<u>121,107</u>	<u>409,286</u>	<u>1,684,019</u>
Infrastructure	<u>18,856,841</u>	<u>312,205</u>	<u>-</u>	<u>19,169,046</u>
Total accumulated depreciation	\$ <u>21,415,010</u>	\$ <u>433,441</u>	\$ <u>409,286</u>	\$ <u>21,439,165</u>
Total capital assets being depreciated, net	\$ <u>5,808,042</u>	\$ <u>140,761</u>	\$ <u>-</u>	\$ <u>5,948,803</u>
Electric fund capital assets, net	\$ <u><u>6,445,697</u></u>	\$ <u><u>283,605</u></u>	\$ <u><u>-</u></u>	\$ <u><u>6,729,302</u></u>

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

## Note 6—Capital Assets: (Continued)

### Primary Government: (Continued)

### Business-Type Activities: (Continued)

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
<b>Water Fund:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ <u>658,224</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>658,224</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,423,036	\$ 67,716	\$ -	\$ 1,490,752
Equipment	1,503,781	40,359	105,939	1,438,201
Infrastructure	<u>10,788,716</u>	<u>100,210</u>	<u>-</u>	<u>10,888,926</u>
Total capital assets being depreciated	\$ <u>13,715,533</u>	\$ <u>208,285</u>	\$ <u>105,939</u>	\$ <u>13,817,879</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 906,702	\$ 41,183	\$ -	\$ 947,885
Equipment	879,708	74,856	105,939	848,625
Infrastructure	<u>8,287,019</u>	<u>162,373</u>	<u>-</u>	<u>8,449,392</u>
Total accumulated depreciation	\$ <u>10,073,429</u>	\$ <u>278,412</u>	\$ <u>105,939</u>	\$ <u>10,245,902</u>
Total capital assets being depreciated, net	\$ <u>3,642,104</u>	\$ <u>(70,127)</u>	\$ <u>-</u>	\$ <u>3,571,977</u>
Water fund capital assets, net	\$ <u><u>4,300,328</u></u>	\$ <u><u>(70,127)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>4,230,201</u></u>

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

## Note 6—Capital Assets: (Continued)

### Primary Government: (Continued)

### Business-Type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Sewer Fund:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 25,400	\$ -	\$ -	\$ 25,400
Capital assets being depreciated:				
Buildings and improvements	\$ 1,069,859	\$ -	\$ -	\$ 1,069,859
Equipment	1,902,593	139,547	10,019	2,032,121
Infrastructure	<u>15,537,661</u>	<u>60,323</u>	<u>-</u>	<u>15,597,984</u>
Total capital assets being depreciated	\$ <u>18,510,113</u>	\$ <u>199,870</u>	\$ <u>10,019</u>	\$ <u>18,699,964</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 766,344	\$ 20,031	\$ -	\$ 786,375
Equipment	1,074,314	70,797	10,019	1,135,092
Infrastructure	<u>12,715,451</u>	<u>458,327</u>	<u>-</u>	<u>13,173,778</u>
Total accumulated depreciation	\$ <u>14,556,109</u>	\$ <u>549,155</u>	\$ <u>10,019</u>	\$ <u>15,095,245</u>
Total capital assets being depreciated, net	\$ <u>3,954,004</u>	\$ <u>(349,285)</u>	\$ <u>-</u>	\$ <u>3,604,719</u>
Sewer fund capital asset, net	\$ <u><u>3,979,404</u></u>	\$ <u><u>(349,285)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>3,630,119</u></u>

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

## Note 6—Capital Assets: (Continued)

### Primary Government: (Continued)

#### Business-Type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Refuse Collection/Landfill Fund:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 671,274	\$ -	\$ 671,274
Capital assets, being depreciated:				
Buildings and improvements	\$ 305,256	\$ -	\$ -	\$ 305,256
Equipment	<u>1,531,084</u>	<u>-</u>	<u>17,525</u>	<u>1,513,559</u>
Total capital assets being depreciated	\$ <u>1,836,340</u>	\$ <u>-</u>	\$ <u>17,525</u>	\$ <u>1,818,815</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 83,545	\$ 9,679	\$ -	\$ 93,224
Equipment	<u>1,267,451</u>	<u>54,981</u>	<u>17,525</u>	<u>1,304,907</u>
Total accumulated depreciation	\$ <u>1,350,996</u>	\$ <u>64,660</u>	\$ <u>17,525</u>	\$ <u>1,398,131</u>
Total capital assets being depreciated, net	\$ <u>485,344</u>	\$ <u>(64,660)</u>	\$ <u>-</u>	\$ <u>420,684</u>
Refuse collection/landfill fund capital assets, net	\$ <u><u>485,344</u></u>	\$ <u><u>606,614</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,091,958</u></u>



# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

## Note 6—Capital Assets: (Continued)

### Discretely Presented Component Unit—School Board:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
<b>Discretely Presented Component Unit-School Board:</b>				
Capital assets, not being depreciated:				
Land	\$ 47,172	\$ -	\$ -	\$ 47,172
Capital assets being depreciated:				
Buildings	\$ 7,922,195	\$ -	\$ -	\$ 7,922,195
Equipment	2,364,137	29,964	-	2,394,101
Jointly owned assets	5,446,393	730,669	-	6,177,062
Total capital assets being depreciated	\$ 15,732,725	\$ 760,633	\$ -	\$ 16,493,358
Less accumulated depreciation for:				
Buildings	\$ 6,271,987	\$ 258,708	\$ -	\$ 6,530,695
Equipment	1,368,963	153,363	-	1,522,326
Jointly owned assets	1,016,513	184,706	-	1,201,219
Total accumulated depreciation	\$ 8,657,463	\$ 596,777	\$ -	\$ 9,254,240
Total capital assets being depreciated, net	\$ 7,075,262	\$ 163,856	\$ -	\$ 7,239,118
School Board capital assets, net	\$ 7,122,434	\$ 163,856	\$ -	\$ 7,286,290

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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The following is a summary of depreciation expense for the year ended June 30, 2010:

Governmental activities:

General government	\$	88,256
Judicial administration		1,120
Public safety		314,120
Public works		339,618
Health and welfare		12,716
Education		192,897
Parks, recreation and cultural		20,196
Community development		<u>50,808</u>
Total Governmental activities	\$	<u><u>1,019,731</u></u>

Enterprise activities:

Electric	\$	433,441
Water		278,412
Sewer		549,155
Refuse collection / landfill		<u>64,660</u>
Total Enterprise activities	\$	<u><u>1,325,668</u></u>

Component Unit School Board	\$	<u><u>412,071</u></u> *
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\* Note accumulated depreciation transferred from the Primary Government to the Component Unit School Board on Jointly owned assets totals \$184,706 for the year ending June 30, 2010 when added to depreciation expense above totals \$596,777 accumulated depreciation previous page.

## CITY OF MARTINSVILLE, VIRGINIA

### Notes to Financial Statements As of June 30, 2010 (Continued)

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

Interfund transfers for the year ended June 30, 2010, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 2,269,700	\$ -
Non-Major governmental funds:		
Capital reserve	827,134	-
Meals tax	-	293,813
Proprietary funds:		
Electric	-	578,025
Water	-	949,568
Sewer	-	936,401
Refuse Collection/Landfill	-	339,027
Total	<u>\$ 3,096,834</u>	<u>\$ 3,096,834</u>

Interfund receivables and payable balances relative to working capital loans at June 30, 2010 are presented below:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Primary Government:		
City Grants	\$ -	\$ 548,267
Housing Choice	-	122,553
Water	-	183,009
Refuse Collection Landfill	853,829	-
Total	<u>\$ 853,829</u>	<u>\$ 853,829</u>
Component Unit - School Board		
School Fund	\$ 178,065	\$ -
School Grants	-	178,065
Total	<u>\$ 178,065</u>	<u>\$ 178,065</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, 2010 (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, 2010:

	<b>Amounts Payable at July 1, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>Amounts Payable at June 30, 2010</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Obligations:</b>					
Incurred by City					
Compensated absences	\$ 532,848	\$ 95,610	\$ 111,899	\$ 516,559	\$ 51,656
G.O. Bonds	2,923,900	-	216,000	2,707,900	234,100
G.O. Notes	-	340,000	-	340,000	-
Other post employment benefits	45,000	4,000	-	49,000	-
Capital lease obligations	485,730	-	200,305	285,425	111,795
Total incurred by City	<u>\$ 3,987,478</u>	<u>\$ 439,610</u>	<u>\$ 528,204</u>	<u>\$ 3,898,884</u>	<u>\$ 397,551</u>
Incurred by School Board:					
State Literary Fund Loans	\$ 6,500,000	\$ -	\$ 625,000	\$ 5,875,000	\$ 625,000
Virginia Public Authority					
Subsidy Bonds	1,946,566	-	105,669	1,840,897	108,153
Capital lease	365,533	-	104,536	260,997	108,980
Total incurred by School Board	<u>\$ 8,812,099</u>	<u>\$ -</u>	<u>\$ 835,205</u>	<u>\$ 7,976,894</u>	<u>\$ 842,133</u>
Total Governmental Obligations	<u>\$ 12,799,577</u>	<u>\$ 439,610</u>	<u>\$ 1,363,409</u>	<u>\$ 11,875,778</u>	<u>\$ 1,239,684</u>
<b>Enterprise Obligations:</b>					
Compensated absences	\$ 191,506	\$ 51,999	\$ 49,791	\$ 193,714	\$ 19,371
General obligation bond	2,742,800	-	240,600	2,502,200	307,100
Capital lease obligations	439,756	-	121,308	318,448	124,729
Landfill closure and post-closure costs	3,691,852	-	96,663	3,595,189	123,972
Total Enterprise Obligations	<u>\$ 7,065,914</u>	<u>\$ 51,999</u>	<u>\$ 508,362</u>	<u>\$ 6,609,551</u>	<u>\$ 575,172</u>
Total Primary Government	<u>\$ 19,865,491</u>	<u>\$ 491,609</u>	<u>\$ 1,871,771</u>	<u>\$ 18,485,329</u>	<u>\$ 1,814,856</u>

The City's General Fund and meals tax fund are responsible for repaying the City's long-term obligation amounts.

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

### Primary Government: (Continued)

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

Year Ending June 30,	City Obligations						Enterprise Obligations			
	General Obligation Bonds		General Obligation Notes		Capital Leases		General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 234,100	\$ 85,637	\$ -	\$ 18,700	\$ 111,795	\$ 7,215	\$ 307,100	\$ 75,121	\$ 124,729	\$ 8,049
2012	243,500	76,442	-	10,200	114,948	4,063	315,400	66,729	128,245	4,533
2013	251,200	68,403	-	10,200	58,682	822	324,000	58,099	65,474	917
2014	258,500	60,120	-	10,200	-	-	332,900	49,222	-	-
2015	265,400	51,607	-	10,200	-	-	342,200	40,089	-	-
2016	271,900	42,876	-	10,200	-	-	197,900	32,613	-	-
2017	283,000	33,859	-	10,200	-	-	49,900	28,759	-	-
2018	293,400	24,492	-	10,200	-	-	52,000	26,697	-	-
2019	298,600	14,872	-	10,200	-	-	54,200	24,545	-	-
2020	308,300	5,010	-	10,200	-	-	56,400	22,303	-	-
2021	-	-	-	10,200	-	-	38,100	20,302	-	-
2022	-	-	-	10,200	-	-	39,800	18,549	-	-
2023	-	-	-	10,200	-	-	41,600	16,718	-	-
2024	-	-	-	10,200	-	-	43,600	14,801	-	-
2025	-	-	-	10,200	-	-	45,600	12,794	-	-
2026	-	-	-	10,200	-	-	47,700	10,694	-	-
2027	-	-	-	10,200	-	-	49,900	8,498	-	-
2028	-	-	-	10,200	-	-	52,200	6,201	-	-
2029	-	-	-	10,200	-	-	54,600	3,798	-	-
2030	-	-	340,000	1,700	-	-	57,100	1,285	-	-
Total	\$ 2,707,900	\$ 463,318	\$ 340,000	\$ 204,000	\$ 285,425	\$ 12,100	\$ 2,502,200	\$ 537,817	\$ 318,448	\$ 13,499

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

### Primary Government: (Continued)

Year Ending June 30,	City School Obligations				School Board	
	State Literary Fund Loans		Virginia Public School Authority Subsidy Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 625,000	\$ 176,250	\$ 108,153	\$ 90,965	108,980	8,816
2012	625,000	157,500	110,782	84,958	113,612	4,184
2013	625,000	138,750	83,972	79,778	38,405	331
2014	625,000	120,000	85,802	75,448	-	-
2015	625,000	101,250	87,727	71,023	-	-
2016	625,000	82,500	89,752	66,498	-	-
2017	625,000	63,750	91,884	61,866	-	-
2018	375,000	45,000	94,127	57,123	-	-
2019	375,000	33,750	96,488	52,262	-	-
2020	375,000	22,500	98,972	47,278	-	-
2021	375,000	11,250	101,586	42,164	-	-
2022	-	-	104,337	36,913	-	-
2023	-	-	106,821	31,929	-	-
2024	-	-	109,435	26,815	-	-
2025	-	-	112,597	21,153	-	-
2026	-	-	115,925	15,325	-	-
2027	-	-	119,426	9,324	-	-
2028	-	-	123,111	3,139	-	-
Total	\$ 5,875,000	\$ 952,500	\$ 1,840,897	\$ 873,961	\$ 260,997	\$ 13,331

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### Primary Government: (Continued)

##### Incurred by City:

###### General Obligation Bonds:

\$4,145,000 payable in principal semi-annual installments ranging from \$115,000 to \$310,000 beginning July 15, 2000 through July 2011 (bonds maturing on July 15, 2011 to July 15, 2019 were defeased on September 21, 2005); interest payable semi-annually at 5.0492%

\$ 205,000

\$2,523,900 general obligation refunding series 2009A bonds maturing in various annual installments of \$21,000 to \$308,300 through July 15, 2019, interest payable semi-annually at 3.25%

2,502,900

Total general obligation bonds

\$ 2,707,900

###### General Obligation Note:

\$340,000 payable in interest monthly installments of \$850 beginning August 1, 2010 through August 2029, with the entire principal balance due in August 2029; interest payable at 3.00%

\$ 340,000

###### Capital Lease Obligations:

The City has entered into a lease agreement as lessee for financing the acquisition of a street sweeper. The street sweeper cost \$127,000 and was acquired with lease financing. Annual requirements to amortize City long-term lease obligations are disclosed within this note. Details of these leases are as follows:

\$448,153 obligation for the purchase of a street sweeper, payable in semi-annual installments of \$59,505 through December 1, 2012, interest at 2.8%

\$ 285,425

Compensated absences

\$ 516,559

Other post employment benefits

49,000

Total Incurred by City

\$ 3,898,884

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### **Primary Government: (Continued)**

##### **Incurred by School Board:**

###### State Literary Fund Loans:

\$5,000,000 State Literary Fund loan issued January 28, 1997, due in annual principal installments of \$250,000 through 2017; interest payable annually at 3%	\$ 1,750,000
\$7,500,000 State Literary Fund Loan issued September 1, 2000, due in annual principal installments of \$375,000 through 2021; interest payable annually at 3%	<u>4,125,000</u>
Total State Literary Fund Loans	\$ <u>5,875,000</u>

###### Virginia Public Authority Subsidy Bonds:

\$438,631 Virginia Public Authority Subsidy Bonds issued in 1991, due in annual installments of varying amounts through 2012; interest payable annually at varying rates	\$ 56,119
\$1,936,758 Virginia Public Authority Subsidy Bonds issued in 2007, due in annual installments of varying amounts through 2028; interest payable semi-annually at 5.10%	<u>1,784,778</u>
Total Virginia Public Authority Subsidy Bonds	\$ <u>1,840,897</u>

###### Capital Lease Obligations:

\$527,694 obligation for the purchase of school buses, payable in monthly installments of \$9,816 through October 1, 2012, interest at 4.17%	\$ <u>260,997</u>
Total Incurred by the School Board	\$ <u>7,976,894</u>
Total Governmental Obligations	\$ <u><u>11,875,778</u></u>



## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

#### Primary Government: (Continued)

##### Enterprise Obligations:

###### General Obligation Bonds:

\$1,782,700 noncapital-related general obligation refunding series 2009B bonds maturing in various annual installments of \$149,900 to \$296,100 through July 15, 2015, interest payable semi-annually at 2.50% \$ 1,558,600

\$190,000 capital-related general obligation series 2009A bonds maturing in various annual installments of \$14,900 to \$20,000 through July 15, 2019, interest payable semi-annually at 3.25% 173,500

\$770,100 capital-related general obligation series 2009B bonds maturing in various annual installments of \$24,300 to \$57,100 through July 15, 2029, interest payable semi-annually at 4.50% 770,100

Total general obligation bonds \$ 2,502,200

###### Capital Lease Obligations:

\$500,000 obligation for the purchase of a street sweeper, payable in semi-annual installments of \$66,389 through December 1, 2012, interest at 2.8% \$ 318,448

Compensated absences \$ 193,714

Landfill closure and postclosure costs 3,595,189

Total enterprise obligations \$ 6,609,551

#### Discretely Presented Component Unit-School Board

The following is a summary of change in long-term obligations of the Discretely Presented Component Unit-School Board for the fiscal year ended June 30, 2010:

	Amounts Payable at July 1, 2009	Increases	Decreases	Amounts Payable at June 30, 2010	Amounts Due Within One Year
Other post employment benefits	\$ <u>50,000</u>	\$ <u>47,000</u>	\$ <u>-</u>	\$ <u>97,000</u>	\$ <u>-</u>

## CITY OF MARTINSVILLE, VIRGINIA

### Notes to Financial Statements As of June 30, 2010 (Continued)

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

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State and federal laws and regulations require the City to place a final cover on each phase of its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. In accordance with Statement 18 of the Governmental Accounting Standards Board entitled Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs, the City reported a liability for a portion of these closure and postclosure care costs based on landfill capacity used. The \$3,595,189 reported as landfill closure and postclosure care liability at June 30, 2010 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 2010. 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.

#### **Note 10—Deferred Revenue:**

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Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$553,810 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$382,320 at June 30, 2010.

Discretely Presented School Board – Deferred revenue represented unexpended NASA and Harvest Foundation grant funds totaling \$177,956 at June 30, 2010.

#### **Note 11—Contingent Liabilities:**

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Federal programs in which the City and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

#### **Note 12—Litigation:**

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At June 30, 2010, 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.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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### **Note 13—Risk Management:**

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

The City is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

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

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

### **Note 14—Defined Benefit Pension Plan:**

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#### **A. Plan Description**

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with 30 years of service if elected by the employer (age 50 with 25 years for participating local law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and, if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

### Note 14—Defined Benefit Pension Plan:

#### A. Plan Description: (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

#### B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The City's and School's non-professional employee contribution rates for the fiscal year ended 2010 were 14.59% and 16.56% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$845,047, \$1,168,411 and \$1,340,818, to the teacher cost-sharing pool for the fiscal years ended June 30, 2010, 2009 and 2008, respectively and these contributions represented 8.81%, 8.81% and 10.30%, respectively, of current covered payroll.

#### C. Annual Pension Cost

For fiscal year 2010, the City's annual pension cost of \$1,945,802 was equal to the City's required and actual contributions.

For fiscal year 2010, the City School Board's annual pension cost for the Board's non-professional employees was \$101,918 which was equal to the Board's required and actual contributions.

#### Three-Year Trend Information for the City and School Board

<u>Fiscal Year Ending</u>		<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>		<u>Net Pension Obligation</u>
City:					
June 30, 2010	\$	1,945,802	100%	\$	-
June 30, 2009		1,972,135	100%		-
June 30, 2008		1,853,584	100%		-
School Board:					
Non-Professional:					
June 30, 2010	\$	101,918	100%	\$	-
June 30, 2009		115,743	100%		-
June 30, 2008		131,312	100%		-

(1) Employer portion only

## CITY OF MARTINSVILLE, VIRGINIA

### Notes to Financial Statements As of June 30, 2010 (Continued)

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#### **Note 14—Defined Benefit Pension Plan: (Continued)**

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##### **C. Annual Pension Cost: (Continued)**

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

##### **D. Funded Status and Funding Progress**

As of June 30, 2009, the most recent actuarial valuation date, the City's plan was 75.79% funded. The actuarial accrued liability for benefits was \$81,304,623, and the actuarial value of assets was \$61,619,651, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,684,972. The covered payroll (annual payroll of active employees covered by the plan) was \$13,771,266 and ratio of the UAAL to the covered payroll was 142.94%.

As of June 30, 2009 the most recent actuarial valuation date, the City School Board's plan was 76.15% funded. The actuarial accrued liability for benefits was \$4,100,275, and the actuarial value of assets was \$3,122,252, resulting in an unfunded actuarial accrued liability (UAAL) of \$978,023. The covered payroll (annual payroll of active employees covered by the plan) was \$697,677, and ratio of UAAL to the covered payroll was 140.18%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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### Note 15—Surety Bonds:

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	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Faithful Performance of Duty Schedule Position Bond:	
Commonwealth Funds	
Ashby R. Pritchett, Clerk of the Circuit Court	\$ 25,000
Cindy Dickerson, Treasurer and/or Clarence Monday, Director of Finance	200,000
Ruth Easley, Commissioner of the Revenue	3,000
Steve M. Draper, Sheriff	30,000
The above constitutional officers and subordinate employees - blanket bond	50,000
Lumberman's Mutual Casualty Company - Surety City funds	
Cindy Dickerson, Treasurer	250,000
Travelers Indemnity Company - Surety	
All School Board employees - blanket bond	
The Aetna Casualty and Surety Company - Surety	
All City employees - blanket bond	
Honesty	100,000
Faithful performance	1,000,000

### Note 16—Other Post-Employment Benefits Program:

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#### Primary Government:

##### A. Plan Description

The City of Martinsville post-retirement medical plan (CMPRMP) is a single-employer defined benefit healthcare plan which offers health insurance for retired employees. The plan is administered by the City Council. Retired employees, who were hired before July 1, 2005, who participated in the City's medical program with at least 15 years of continuous service and who retire under the VRS plan are eligible to elect post-retirement coverage in the CMPRMP. The CMPRMP has no separate financial report.

##### B. Funding Policy

The City Council establishes employer contribution rates for plan participants as part of the budgetary process each year. Council also determines how the plan will be funded each year whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For retirees retired prior to July 1, 2000 the City pays \$195 per month towards the monthly premium and the retiree contributes remaining funds towards the monthly premium. For retirees retired subsequent to July 1, 2000 the retiree pays 25% of the \$195 City Contribution and the remaining funds towards the premium. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

## Note 16—Other Post-Employment Benefits Program: (Continued)

### Primary Government: (Continued)

#### C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 289,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	(2,000)
Annual OPEB cost (expense)	289,000
Contributions made	(285,000)
Increase (decrease) in net OPEB obligation	\$ 4,000
Net OPEB obligation - beginning of year	45,000
Net OPEB obligation - end of year	\$ 49,000

For 2010, the City's expected cash payment of \$285,000 is less than the OPEB cost (expense) of \$289,000 and was \$4,000 short of the ARC. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the preceding year are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 284,000	84.5%	\$ 45,000
June 30, 2010	289,000	98.6%	49,000

*Funded Status and Funding Progress.* The funded status of the plan as of June 30, 2010 is as follows:

Actuarial accrued liability (AAL)	\$ 4,112,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	4,112,000
Funded ratio (actuarial value of plan assets/AAL)	n/a
Covered payroll (active plan members)	13,386,000
UAAL as a percentage of covered payroll	30.72%



## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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### **Note 16—Other Post-Employment Benefits Program: (Continued)**

---

#### **Primary Government: (Continued)**

##### **C. Annual OPEB Cost and Net OPEB Obligation: (Continued)**

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

#### *Actuarial Methods and Assumptions.*

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

In the June 30, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.50% average investment rate or return (net of administrative expenses and 2.50% payroll growth rate. Both rates include a 4.50% inflation assumption. The actuarial assumptions also included a 10.00% healthcare cost trend rate. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was twenty-eight years.

#### **Discretely Presented Component Unit-School Board:**

##### **A. Plan Description**

The City of Martinsville School Board post-retirement medical plan (CMSBPRMP) is a single-employer defined benefit healthcare plan which offers health insurance for retired employees. The plan is administered by the School Board. Retired employees, who were hired 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 has no separate financial report.



## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

### Note 16—Other Post-Employment Benefits Program: (Continued)

#### Discretely Presented Component Unit-School Board: (Continued)

##### B Funding Policy

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. Council also determines how the plan will be funded each year whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For retirees retired prior to July 1, 2000 the City pays \$195 per month towards the monthly premium and the retiree contributes remaining funds towards the monthly premium. For retirees retired subsequent to July 1, 2000 the retiree pays 25% of the \$195 School Board contribution and the remaining funds towards the premium. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

##### C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 266,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	<u>(2,000)</u>
Annual OPEB cost (expense)	266,000
Contributions made	<u>(219,000)</u>
Increase (decrease) in net OPEB obligation	\$ 47,000
Net OPEB obligation - beginning of year	50,000
Net OPEB obligation - end of year	<u><u>\$ 97,000</u></u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the preceding year are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 269,000	81.4%	\$ 50,000
June 30, 2010	266,000	82.3%	97,000

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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### **Note 16—Other Post-Employment Benefits Program: (Continued)**

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#### **Discretely Presented Component Unit-School Board: (Continued)**

##### **C. Annual OPEB Cost and Net OPEB Obligation: (Continued)**

*Funded Status and Funding Progress.* The funded status of the plan as of June 30, 2010 is as follows:

Actuarial accrued liability (AAL)	\$ 2,491,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	2,491,000
Funded ratio (actuarial value of plan assets/AAL)	n/a
Covered payroll (active plan members)	16,271,000
UAAL as a percentage of covered payroll	15.31%

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

#### *Actuarial Methods and Assumptions.*

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

In the June 30, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.50% average investment rate or return (net of administrative expenses) and a 2.50% payroll growth rate. Both rates include a 4.50% inflation assumption. The actuarial assumptions also included a 10.00% healthcare cost trend rate. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was twenty-nine years.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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### **Note 17—VRS Health Insurance Credit Other Post-Employment Benefits (OPEB):**

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#### **A. Plan Description**

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

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

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

#### **B. Funding Policy**

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.04% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2010, 2009, and 2008 were \$99,756, \$137,928, and \$135,383, respectively and equaled the required contributions for each year.

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### **Required Supplementary Information**

Note to Required Supplementary Information:

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

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## General Fund

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

Year Ended June 30, 2010

	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 9,346,597	\$ 9,346,597	\$ 9,080,208	\$ (266,389)
Other local taxes	5,423,759	5,423,759	4,955,015	(468,744)
Permits, privilege fees and regulatory licenses	416,200	456,200	560,910	104,710
Fines and forfeitures	191,200	192,247	172,344	(19,903)
Revenue from use of money and property	663,981	663,981	636,423	(27,558)
Charges for services	357,520	357,620	376,859	19,239
Miscellaneous	175,287	218,272	219,757	1,485
Recovered costs	1,038,402	1,116,939	1,077,895	(39,044)
Intergovernmental:				
Commonwealth	8,904,087	9,101,856	8,368,309	(733,547)
Federal	60,221	3,029,945	335,999	(2,693,946)
Total revenues	\$ 26,577,254	\$ 29,907,416	\$ 25,783,719	\$ (4,123,697)
Expenditures:				
Current:				
General government administration	\$ 4,081,947	\$ 4,172,439	\$ 3,830,027	\$ 342,412
Judicial administration	2,002,614	2,059,083	1,885,975	173,108
Public safety	9,719,052	10,139,257	9,251,726	887,531
Public works	4,183,180	7,153,752	4,096,393	3,057,359
Health and welfare	575,773	1,374,773	1,396,264	(21,491)
Education	6,310,440	6,310,440	6,039,577	270,863
Parks, recreation, and cultural	1,167,490	1,226,424	1,136,018	90,406
Community development	1,082,122	1,111,958	1,136,973	(25,015)
Debt service:				
Principal retirement	131,192	131,192	131,192	-
Interest and other fiscal charges	18,344	18,344	18,344	-
Total expenditures	\$ 29,272,154	\$ 33,697,662	\$ 28,922,489	\$ 4,775,173
Excess (deficiency) of revenues over expenditures	\$ (2,694,900)	\$ (3,790,246)	\$ (3,138,770)	\$ 651,476
Other financing sources (uses):				
Transfers in	\$ 2,269,700	\$ 2,269,700	\$ 2,269,700	\$ -
Total other financing sources (uses)	\$ 2,269,700	\$ 2,269,700	\$ 2,269,700	\$ -
Changes in fund balances	\$ (425,200)	\$ (1,520,546)	\$ (869,070)	\$ 651,476
Fund balances at beginning of year	425,200	1,520,546	3,113,308	1,592,762
Fund balances at end of year	\$ -	\$ -	\$ 2,244,238	\$ 2,244,238

Required Supplementary Information  
Schedule of Funding Progress for the Virginia Retirement System  
Last Three Fiscal Years

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**City**

<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded (Excess Funded) Actuarial Accrued Liability</b>	<b>Funded Ratio (2)/(3)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as % of Payroll (4)/(6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>
6/30/2009	\$ 61,619,651	\$ 81,304,623	\$ 19,684,972	75.79%	\$ 13,771,266	142.94%
6/30/2008	61,850,577	77,080,208	15,229,631	80.24%	13,168,139	115.66%
6/30/2007	57,135,910	71,630,549	14,494,639	79.76%	12,550,718	115.49%

**Discretely Presented Component Unit - School Board**  
**School Board Non-Professional:**

<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded (Excess Funded) Actuarial Accrued Liability</b>	<b>Funded Ratio (2)/(3)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as % of Payroll (4)/(6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>
6/30/2009	\$ 3,122,252	\$ 4,100,275	\$ 978,023	76.15%	\$ 697,677	140.18%
6/30/2008	3,300,965	4,045,424	744,459	81.60%	666,432	111.71%
6/30/2007	3,116,729	4,049,835	933,106	76.96%	712,365	130.99%



Required Supplementary Information  
Schedule of OPEB Funding Progress  
Last Fiscal Years

**City**

<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded (Excess Funded) Actuarial Accrued Liability</b>	<b>Funded Ratio (2)/(3)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as % of Payroll (4)/(6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>
6/30/2009	\$ -	\$ 4,112,000	\$ 4,112,000	0.00%	\$ 13,386,000	30.72%
6/30/2008	-	4,069,000	4,069,000	0.00%	13,332,000	30.52%

**Discretely Presented Component Unit - School Board**

<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded (Excess Funded) Actuarial Accrued Liability</b>	<b>Funded Ratio (2)/(3)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as % of Payroll (4)/(6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>
6/30/2009	\$ -	\$ 2,491,000	\$ 2,491,000	0.00%	\$ 16,271,000	15.31%
6/30/2008	-	2,527,000	2,527,000	0.00%	16,303,000	15.50%

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## **Other Supplementary Information**

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## **Combining and Individual Fund Statements and Schedules**

Nonmajor Governmental Funds  
Combining Balance Sheet  
At June 30, 2010

	<b>Special Revenue Funds</b>		<b>Capital Projects Funds</b>		
	<b>City Grants Fund</b>	<b>Housing Choice Fund</b>	<b>Capital Reserve Fund</b>	<b>Meals Tax Fund</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 21,652	\$ 332,054	\$ 515,514	\$ 659,322	\$ 1,528,542
Accounts receivable	-	-	29,329	625	29,954
Due from other governments	125,785	-	-	-	125,785
Total assets	<u>\$ 147,437</u>	<u>\$ 332,054</u>	<u>\$ 544,843</u>	<u>\$ 659,947</u>	<u>\$ 1,684,281</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	\$ 34,743	\$ 4,912	\$ 31,981	\$ 1,289	\$ 72,925
Due to other funds	548,267	122,553	-	-	670,820
Total liabilities	<u>\$ 583,010</u>	<u>\$ 127,465</u>	<u>\$ 31,981</u>	<u>\$ 1,289</u>	<u>\$ 743,745</u>
<b>FUND BALANCES</b>					
Fund balances:					
Unreserved, undesignated reported in:					
Special revenue funds (deficit)	\$ (435,573)	\$ 204,589	\$ -	\$ -	\$ (230,984)
Capital projects	-	-	512,862	658,658	1,171,520
Total fund balances	<u>\$ (435,573)</u>	<u>\$ 204,589</u>	<u>\$ 512,862</u>	<u>\$ 658,658</u>	<u>\$ 940,536</u>
Total liabilities and fund balances	<u>\$ 147,437</u>	<u>\$ 332,054</u>	<u>\$ 544,843</u>	<u>\$ 659,947</u>	<u>\$ 1,684,281</u>

Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2010

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>		
	<u>City Grants Fund</u>	<u>Housing Choice Fund</u>	<u>Capital Reserve Fund</u>	<u>Meals Tax Fund</u>	<u>Total</u>
<b>Revenues:</b>					
Other local taxes	\$ -	\$ -	\$ -	\$ 1,390,907	\$ 1,390,907
Revenue from use of money and property	50,877	27,504	-	-	78,381
Miscellaneous	8,824	13,394	132,266	-	154,484
Intergovernmental:					
Commonwealth	10,000	-	590,000	-	600,000
Federal	207,175	2,030,664	-	-	2,237,839
Total revenues	<u>\$ 276,876</u>	<u>\$ 2,071,562</u>	<u>\$ 722,266</u>	<u>\$ 1,390,907</u>	<u>\$ 4,461,611</u>
<b>Expenditures:</b>					
General government administration	\$ -	\$ -	\$ 904,555	\$ 35,190	\$ 939,745
Public safety	-	-	147,754	-	147,754
Public works	-	-	44,924	-	44,924
Parks, recreation, and cultural	-	-	29,168	-	29,168
Planning and community development	447,646	2,588,594	-	-	3,036,240
Debt service:					
Principal retired on debt	-	-	308,305	812,013	1,120,318
Interest and fiscal charges	-	-	48,140	322,632	370,772
Total expenditures	<u>\$ 447,646</u>	<u>\$ 2,588,594</u>	<u>\$ 1,482,846</u>	<u>\$ 1,169,835</u>	<u>\$ 5,688,921</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (170,770)</u>	<u>\$ (517,032)</u>	<u>\$ (760,580)</u>	<u>\$ 221,072</u>	<u>\$ (1,227,310)</u>
<b>Other financing sources:</b>					
Issuance of debt	\$ -	\$ 340,000	\$ -	\$ -	\$ 340,000
Transfers in	-	-	827,134	-	827,134
Transfers (out)	-	-	-	(293,813)	(293,813)
Total other financing sources	<u>\$ -</u>	<u>\$ 340,000</u>	<u>\$ 827,134</u>	<u>\$ (293,813)</u>	<u>\$ 873,321</u>
<b>Changes in fund balances</b>	<u>\$ (170,770)</u>	<u>\$ (177,032)</u>	<u>\$ 66,554</u>	<u>\$ (72,741)</u>	<u>\$ (353,989)</u>
<b>Fund balances at beginning of year</b>	<u>(264,803)</u>	<u>381,621</u>	<u>446,308</u>	<u>731,399</u>	<u>1,294,525</u>
<b>Fund balances at end of year</b>	<u><u>\$ (435,573)</u></u>	<u><u>\$ 204,589</u></u>	<u><u>\$ 512,862</u></u>	<u><u>\$ 658,658</u></u>	<u><u>\$ 940,536</u></u>

## CITY OF MARTINSVILLE, VIRGINIA

Nonmajor Governmental Funds  
 Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual  
 Year Ended June 30, 2010

	Special Revenues Funds							
	City Grants Fund				Housing Choice Fund			
	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Revenues:</b>								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	29,954	29,954	50,877	20,923	1,500	27,001	27,504	503
Miscellaneous	-	8,824	8,824	-	5,300	5,616	13,394	7,778
Intergovernmental:								
Commonwealth	-	13,500	10,000	(3,500)	-	-	-	-
Federal	500,000	535,000	207,175	(327,825)	1,965,389	1,965,389	2,030,664	65,275
Total revenues	\$ 529,954	\$ 587,278	\$ 276,876	\$ (310,402)	\$ 1,972,189	\$ 1,998,006	\$ 2,071,562	\$ 73,556
<b>Expenditures:</b>								
General government administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-	-	-	-
Planning and community development	449,400	863,880	447,646	(416,234)	2,239,610	2,756,366	2,588,594	167,772
Debt service:								
Principal retired on debt	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	\$ 449,400	\$ 863,880	\$ 447,646	\$ (416,234)	\$ 2,239,610	\$ 2,756,366	\$ 2,588,594	\$ 167,772
<b>Excess (deficiency) of revenues over expenditures</b>	\$ 80,554	\$ (276,602)	\$ (170,770)	\$ 105,832	\$ (267,421)	\$ (758,360)	\$ (517,032)	\$ 241,328
<b>Other financing sources (uses):</b>								
Issuance of debt	\$ -	\$ -	\$ -	\$ -	\$ -	340,000	340,000	\$ -
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	340,000	340,000	\$ -
<b>Changes in fund balances</b>	\$ 80,554	\$ (276,602)	\$ (170,770)	\$ 105,832	\$ (267,421)	\$ (418,360)	\$ (177,032)	\$ 241,328
<b>Fund balances at beginning of year</b>	(80,554)	276,602	(264,803)	(541,405)	267,421	418,360	381,621	(36,739)
<b>Fund balances at end of year</b>	\$ -	\$ -	\$ (435,573)	\$ (435,573)	\$ -	\$ -	\$ 204,589	\$ 204,589



Capital Projects Funds							
Capital Reserve Fund				Meals Tax 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)
\$ -	\$ -	\$ -	\$ -	\$ 1,463,650	\$ 1,463,650	\$ 1,390,907	\$ (72,743)
-	-	-	-	-	-	-	-
-	132,266	132,266	-	-	-	-	-
-	590,000	590,000	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ 722,266	\$ 722,266	\$ -	\$ 1,463,650	\$ 1,463,650	\$ 1,390,907	\$ (72,743)
\$ 199,060	\$ 950,192	\$ 904,555	\$ 45,637	\$ 35,190	\$ 35,190	\$ 35,190	\$ -
170,078	193,595	147,754	45,841	-	-	-	-
71,000	77,582	44,924	32,658	-	-	-	-
31,000	31,000	29,168	1,832	-	-	-	-
-	-	-	-	-	-	-	-
308,308	308,308	308,305	3	812,014	812,014	812,013	(1)
47,688	47,688	48,140	(452)	322,633	322,633	322,632	(1)
\$ 827,134	\$ 1,608,365	\$ 1,482,846	\$ 125,519	\$ 1,169,837	\$ 1,169,837	\$ 1,169,835	\$ (2)
\$ (827,134)	\$ (886,099)	\$ (760,580)	\$ 125,519	\$ 293,813	\$ 293,813	\$ 221,072	\$ (72,741)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
827,134	827,134	827,134	-	-	-	-	-
-	-	-	-	(293,813)	(293,813)	(293,813)	-
\$ 827,134	\$ 827,134	\$ 827,134	\$ -	\$ (293,813)	\$ (293,813)	\$ (293,813)	\$ -
\$ -	\$ (58,965)	\$ 66,554	\$ 125,519	\$ -	\$ -	\$ (72,741)	\$ (72,741)
-	58,965	446,308	387,343	-	-	731,399	731,399
\$ -	\$ -	\$ 512,862	\$ 512,862	\$ -	\$ -	\$ 658,658	\$ 658,658

Combining Schedule of Fiduciary Net Assets -  
 Agency Funds  
 At June 30, 2010

	<u>Insurance Fund</u>	<u>Sheriff's Fund</u>	<u>West Piedmont Business Development Center Fund</u>	<u>Police Academy Fund</u>	<u>Southern Virginia Recreation Facility Authority</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ <u>336,111</u>	\$ <u>73,076</u>	\$ <u>136,489</u>	\$ <u>504,311</u>	\$ <u>84,451</u>	\$ <u>1,134,438</u>
Total assets	\$ <u><u>336,111</u></u>	\$ <u><u>73,076</u></u>	\$ <u><u>136,489</u></u>	\$ <u><u>504,311</u></u>	\$ <u><u>84,451</u></u>	\$ <u><u>1,134,438</u></u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ 1,422	\$ 7,840	\$ 7,767	\$ 18,530	\$ 35,559
Amounts held for others	<u>336,111</u>	<u>71,654</u>	<u>128,649</u>	<u>496,544</u>	<u>65,921</u>	<u>1,098,879</u>
Total liabilities	\$ <u><u>336,111</u></u>	\$ <u><u>73,076</u></u>	\$ <u><u>136,489</u></u>	\$ <u><u>504,311</u></u>	\$ <u><u>84,451</u></u>	\$ <u><u>1,134,438</u></u>

Agency Funds  
Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Insurance Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 545,054	\$ 2,767,960	\$ 2,976,903	\$ 336,111
Total assets	<u>\$ 545,054</u>	<u>\$ 2,767,960</u>	<u>\$ 2,976,903</u>	<u>\$ 336,111</u>
Liabilities:				
Amounts held for others	\$ 545,054	\$ 2,767,960	\$ 2,976,903	\$ 336,111
Total liabilities	<u>\$ 545,054</u>	<u>\$ 2,767,960</u>	<u>\$ 2,976,903</u>	<u>\$ 336,111</u>
<b>Sheriff Funds:</b>				
Assets:				
Cash and cash equivalents	\$ 75,546	\$ 46,419	\$ 48,889	\$ 73,076
Total assets	<u>\$ 75,546</u>	<u>\$ 46,419</u>	<u>\$ 48,889</u>	<u>\$ 73,076</u>
Liabilities:				
Accounts payable	\$ -	\$ 1,422	\$ -	\$ 1,422
Amounts held for others	75,546	44,997	48,889	71,654
Total liabilities	<u>\$ 75,546</u>	<u>\$ 46,419</u>	<u>\$ 48,889</u>	<u>\$ 73,076</u>
<b>WPBDC Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 131,844	\$ 163,341	\$ 158,696	\$ 136,489
Total assets	<u>\$ 131,844</u>	<u>\$ 163,341</u>	<u>\$ 158,696</u>	<u>\$ 136,489</u>
Liabilities:				
Accounts payable	\$ 2,449	\$ 7,840	\$ 2,449	\$ 7,840
Amounts held for others	129,395	155,501	156,247	128,649
Total liabilities	<u>\$ 131,844</u>	<u>\$ 163,341</u>	<u>\$ 158,696</u>	<u>\$ 136,489</u>
<b>Police Academy Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 478,286	\$ 270,414	\$ 244,389	\$ 504,311
Due from other governmental units	14,925	-	14,925	-
Total assets	<u>\$ 493,211</u>	<u>\$ 270,414</u>	<u>\$ 259,314</u>	<u>\$ 504,311</u>
Liabilities:				
Accounts payable	\$ 6,486	\$ 7,767	\$ 6,486	\$ 7,767
Amounts held for others	486,725	262,647	252,828	496,544
Total liabilities	<u>\$ 493,211</u>	<u>\$ 270,414</u>	<u>\$ 259,314</u>	<u>\$ 504,311</u>
<b>Southern Virginia Recreation Facilities Authority:</b>				
Assets:				
Cash and cash equivalents	\$ 136,324	\$ 557,670	\$ 609,543	\$ 84,451
Total assets	<u>\$ 136,324</u>	<u>\$ 557,670</u>	<u>\$ 609,543</u>	<u>\$ 84,451</u>
Liabilities:				
Accounts payable	\$ 14,467	\$ 18,530	\$ 14,467	\$ 18,530
Amounts held for others	121,857	539,140	595,076	65,921
Total liabilities	<u>\$ 136,324</u>	<u>\$ 557,670</u>	<u>\$ 609,543</u>	<u>\$ 84,451</u>
<b>Total -- All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 1,367,054	\$ 3,805,804	\$ 4,038,420	\$ 1,134,438
Due from other governmental units	14,925	-	14,925	-
Total assets	<u>\$ 1,381,979</u>	<u>\$ 3,805,804</u>	<u>\$ 4,053,345</u>	<u>\$ 1,134,438</u>
Liabilities:				
Accounts payable	\$ 23,402	\$ 35,559	\$ 23,402	\$ 35,559
Amounts held for others	1,358,577	3,770,245	4,029,943	1,098,879
Total liabilities	<u>\$ 1,381,979</u>	<u>\$ 3,805,804</u>	<u>\$ 4,053,345</u>	<u>\$ 1,134,438</u>

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**Discretely Presented Component Unit—School Board**

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## Combining Balance Sheet

## Discretely Presented Component Unit -- School Board

At June 30, 2010

	<b>School Operating Fund</b>	<b>School Cafeteria Fund</b>	<b>School Grants Fund</b>	<b>Totals</b>
<b>ASSETS</b>				
Assets:				
Cash and cash equivalents	\$ 2,440,335	\$ 700,832	\$ -	\$ 3,141,167
Accounts receivable	60,886	2,502	-	63,388
Due from other governmental units	932,821	-	318,062	1,250,883
Due from other funds	178,065	-	-	178,065
Total assets	<u>\$ 3,612,107</u>	<u>\$ 703,334</u>	<u>\$ 318,062</u>	<u>\$ 4,633,503</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 350,374	\$ 26,751	\$ 9,764	\$ 386,889
Deferred revenue	177,956	-	-	177,956
Accrued liabilities	1,026,430	21,770	102,500	1,150,700
Due to other funds	-	-	178,065	178,065
Total liabilities	<u>\$ 1,554,760</u>	<u>\$ 48,521</u>	<u>\$ 290,329</u>	<u>\$ 1,893,610</u>
<b>FUND BALANCES</b>				
Unreserved:				
Undesignated (deficit)	\$ 2,057,347	\$ 654,813	\$ 27,733	\$ 2,739,893
Total fund balances	<u>\$ 2,057,347</u>	<u>\$ 654,813</u>	<u>\$ 27,733</u>	<u>\$ 2,739,893</u>
Total liabilities and fund balances	<u>\$ 3,612,107</u>	<u>\$ 703,334</u>	<u>\$ 318,062</u>	<u>\$ 4,633,503</u>

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

Total Fund balances, above	2,739,893
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Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	7,286,290
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Details supporting this adjustment are as follows:

Other post employment benefits	(97,000)
Net assets of General Government Activities	<u>\$ 9,929,183</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2010

	<b>School Operating Fund</b>	<b>School Cafeteria Fund</b>	<b>School Grants Fund</b>	<b>Total</b>
<b>Revenues:</b>				
Revenue from use of money and property	\$ 73,871	\$ 756	\$ -	\$ 74,627
Charges for services	114,335	453,104	-	567,439
Miscellaneous	277,478	-	-	277,478
Recovered costs	116,342	-	-	116,342
Intergovernmental:				
Local government	6,018,852	-	-	6,018,852
Commonwealth	14,416,051	28,658	-	14,444,709
Federal	1,466,225	990,946	2,039,940	4,497,111
<b>Total revenues</b>	<b>\$ 22,483,154</b>	<b>\$ 1,473,464</b>	<b>\$ 2,039,940</b>	<b>\$ 25,996,558</b>
<b>Expenditures:</b>				
Current:				
Education	\$ 22,563,191	\$ 1,387,812	\$ 2,027,870	\$ 25,978,873
<b>Total expenditures</b>	<b>\$ 22,563,191</b>	<b>\$ 1,387,812</b>	<b>\$ 2,027,870</b>	<b>\$ 25,978,873</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (80,037)</b>	<b>\$ 85,652</b>	<b>\$ 12,070</b>	<b>\$ 17,685</b>
<b>Other financing sources (uses):</b>				
Transfers in	\$ -	\$ -	\$ 42,871	\$ 42,871
Transfers (out)	(42,871)	-	-	(42,871)
<b>Total other financing sources (uses)</b>	<b>\$ (42,871)</b>	<b>\$ -</b>	<b>\$ 42,871</b>	<b>\$ -</b>
<b>Changes in fund balances</b>	<b>\$ (122,908)</b>	<b>\$ 85,652</b>	<b>\$ 54,941</b>	<b>\$ 17,685</b>
<b>Fund balances at beginning of year</b>	<b>2,180,255</b>	<b>569,161</b>	<b>(27,208)</b>	<b>2,722,208</b>
<b>Fund balances at end of year</b>	<b>\$ 2,057,347</b>	<b>\$ 654,813</b>	<b>\$ 27,733</b>	<b>\$ 2,739,893</b>



Discretely Presented Component Unit - School Board  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 Year Ended June 30, 2010

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Net changes in fund balances - total governmental funds	\$ 17,685
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period computed as follows:

Capital outlays	29,964
Depreciation expense	(412,071)

School Board capital assets are jointly owned by the City and School Board. The City share of School Board capital assets is in proportion to the debt owed on such by the City. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship reduced the transfers to the School Board.	545,963
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Details supporting this adjustment are as follows:

Other post employment benefits	(47,000)
Changes in net assets of governmental activities	\$ 134,541

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

**CITY OF MARTINSVILLE, VIRGINIA**

Schedule of Revenues, Expenditures and Changes in Fund Balances --  
Budget and Actual -- Discretely Presented Component Unit - School Board  
Year Ended June 30, 2010

	<b>School Operating Fund</b>			<b>Variance From Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	
<b>Revenues:</b>				
Revenue from use of money and property	\$ 44,500	\$ 44,500	\$ 73,871	\$ 29,371
Charges for services	42,000	42,000	114,335	72,335
Miscellaneous	10,000	274,765	277,478	2,713
Recovered costs	-	-	116,342	116,342
Intergovernmental:				
Local government	6,209,715	6,209,715	6,018,852	(190,863)
Commonwealth	15,795,652	15,816,491	14,416,051	(1,400,440)
Federal	1,174,037	1,386,320	1,466,225	79,905
Total revenues	\$ <u>23,275,904</u>	\$ <u>23,773,791</u>	\$ <u>22,483,154</u>	\$ <u>(1,290,637)</u>
<b>Expenditures:</b>				
Current:				
Education	\$ <u>23,525,904</u>	\$ <u>24,117,352</u>	\$ <u>22,563,191</u>	\$ <u>1,554,161</u>
Total expenditures	\$ <u>23,525,904</u>	\$ <u>24,117,352</u>	\$ <u>22,563,191</u>	\$ <u>1,554,161</u>
<b>Excess (deficiency) of revenues over expenditures</b>	\$ <u>(250,000)</u>	\$ <u>(343,561)</u>	\$ <u>(80,037)</u>	\$ <u>263,524</u>
<b>Other financing sources (uses):</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers (out)	<u>-</u>	<u>-</u>	<u>(42,871)</u>	<u>(42,871)</u>
Total other financing sources (uses)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(42,871)</u>	\$ <u>(42,871)</u>
<b>Changes in fund balances</b>	\$ <u>(250,000)</u>	\$ <u>(343,561)</u>	\$ <u>(122,908)</u>	\$ <u>220,653</u>
<b>Fund balances at beginning of year</b>	<u>250,000</u>	<u>343,561</u>	<u>2,180,255</u>	<u>1,836,694</u>
<b>Fund balances at end of year</b>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>2,057,347</u></u>	\$ <u><u>2,057,347</u></u>

School Cafeteria Fund				School Grants Fund			
Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
\$ 10,500	\$ 10,500	\$ 756	\$ (9,744)	\$ -	\$ -	\$ -	\$ -
501,000	501,000	453,104	(47,896)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
20,833	20,833	28,658	7,825	-	-	-	-
648,654	648,654	990,946	342,292	-	3,505,749	2,039,940	(1,465,809)
<u>\$ 1,180,987</u>	<u>\$ 1,180,987</u>	<u>\$ 1,473,464</u>	<u>\$ 292,477</u>	<u>\$ -</u>	<u>\$ 3,505,749</u>	<u>\$ 2,039,940</u>	<u>\$ (1,465,809)</u>
<u>\$ 1,180,987</u>	<u>\$ 1,180,987</u>	<u>\$ 1,387,812</u>	<u>\$ (206,825)</u>	<u>\$ -</u>	<u>\$ 3,505,749</u>	<u>\$ 2,027,870</u>	<u>\$ 1,477,879</u>
<u>\$ 1,180,987</u>	<u>\$ 1,180,987</u>	<u>\$ 1,387,812</u>	<u>\$ (206,825)</u>	<u>\$ -</u>	<u>\$ 3,505,749</u>	<u>\$ 2,027,870</u>	<u>\$ 1,477,879</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,652</u>	<u>\$ 85,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,070</u>	<u>\$ 12,070</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,871</u>	<u>\$ 42,871</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,871</u>	<u>\$ 42,871</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,652</u>	<u>\$ 85,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,941</u>	<u>\$ 54,941</u>
<u>-</u>	<u>-</u>	<u>569,161</u>	<u>569,161</u>	<u>-</u>	<u>-</u>	<u>(27,208)</u>	<u>(27,208)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 654,813</u>	<u>\$ 654,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,733</u>	<u>\$ 27,733</u>

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## **Supporting Schedules**

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Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2010

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
<b>Primary Government:</b>				
<b>General Fund:</b>				
General property taxes:				
Real property taxes	\$ 7,441,247	\$ 7,441,247	\$ 7,064,261	\$ (376,986)
Personal property taxes	705,000	705,000	676,227	(28,773)
Business equipment	944,363	944,363	1,057,438	113,075
Machinery and tools taxes	103,987	103,987	112,242	8,255
Penalties	92,000	92,000	100,699	8,699
Interest and costs	60,000	60,000	69,341	9,341
Total general property taxes	\$ 9,346,597	\$ 9,346,597	\$ 9,080,208	\$ (266,389)
Other local taxes:				
Local sales and use taxes	\$ 2,154,000	\$ 2,154,000	\$ 1,759,239	\$ (394,761)
Consumers' utility taxes	753,700	753,700	718,563	(35,137)
Business license tax	1,796,000	1,796,000	1,676,826	(119,174)
Franchise license taxes	15,000	15,000	15,000	-
Motor vehicle licenses	265,469	265,469	322,618	57,149
Bank franchise tax	230,665	230,665	245,584	14,919
Taxes on recordation and wills	60,000	60,000	41,229	(18,771)
Grantor tax	15,000	15,000	10,281	(4,719)
Cigarette tax	115,000	115,000	148,545	33,545
Rental tax	2,030	2,030	880	(1,150)
Transient room tax	16,895	16,895	16,250	(645)
Total other local taxes	\$ 5,423,759	\$ 5,423,759	\$ 4,955,015	\$ (468,744)
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 4,000	\$ 4,000	\$ 4,735	\$ 735
Ambulance Fees	300,000	300,000	396,688	96,688
Other permits and licenses	112,200	152,200	159,487	7,287
Total permits, privilege fees and regulatory licenses	\$ 416,200	\$ 456,200	\$ 560,910	\$ 104,710
Fines and Forfeitures:				
Court fines and forfeitures	\$ 190,000	\$ 190,000	\$ 169,952	\$ (20,048)
Other fines and forfeitures	1,200	2,247	2,392	145
Total fines and forfeitures	\$ 191,200	\$ 192,247	\$ 172,344	\$ (19,903)

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2010 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Revenue from use of money and property:				
Revenue from use of money	\$ 155,025	\$ 155,025	\$ 30,129	\$ (124,896)
Revenue from use of property	508,956	508,956	606,294	97,338
Total revenue from use of money and property	\$ 663,981	\$ 663,981	\$ 636,423	\$ (27,558)
Charges for services:				
Sheriff fees	\$ 3,624	\$ 3,624	\$ 3,625	\$ 1
Courthouse maintenance fees	12,000	12,000	11,064	(936)
Court appointed attorney fees	7,000	7,000	8,863	1,863
Court house security fees	22,000	22,000	26,170	4,170
Document reproduction fee	3,300	3,300	3,293	(7)
Remote access fee	3,600	3,600	2,544	(1,056)
Commonwealth attorney fees	1,700	1,700	1,366	(334)
Other public safety fees	7,850	7,850	7,293	(557)
Recreation fees	25,300	25,300	16,550	(8,750)
Prison farm labor / street maintenance	24,000	24,000	12,000	(12,000)
Martinsville mustangs fees	120,600	120,700	145,818	25,118
Other charges for services	126,546	126,546	138,273	11,727
Total charges for services	\$ 357,520	\$ 357,620	\$ 376,859	\$ 19,239
Miscellaneous revenue:				
Payment in lieu of tax	\$ 147,587	\$ 147,587	\$ 147,587	\$ -
Other miscellaneous revenue	27,700	70,685	72,170	1,485
Total miscellaneous revenue	\$ 175,287	\$ 218,272	\$ 219,757	\$ 1,485
Recovered costs:				
Boarding of prisoners	\$ 13,000	\$ 13,000	\$ 19,695	\$ 6,695
WW Moore	40,000	40,000	19,427	(20,573)
SSI / LIDS	3,000	3,000	2,800	(200)
Juvenile and domestic relations court	1,000	1,000	1,601	601
Meals tax administration	35,190	35,190	35,190	-
Street maintenance overhead	80,000	80,000	96,323	16,323
Demolition	2,000	2,000	1,314	(686)
Advance / recovered cost	60,000	109,104	102,862	(6,242)
Health department	4,000	4,000	2,374	(1,626)
Juror and witness	12,000	12,000	13,812	1,812
Medical co-pay reimbursement	8,000	8,000	3,250	(4,750)
Flexible spending reimbursement	-	-	1,472	1,472
Treasurer	5,000	5,000	8,204	3,204
Project lifesaver	1,200	16,200	17,030	830



Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2010 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Recovered costs: (Continued)				
DUI reimbursement	\$ -	\$ -	\$ 3,692	\$ 3,692
Collection expense	9,000	9,000	9,000	-
Billing expense	454,600	454,600	438,337	(16,263)
Safety expense	90,890	90,890	90,890	-
Communication	125,402	125,402	125,402	-
Central garage	30,320	38,055	38,825	770
Engineering	40,000	40,000	8,548	(31,452)
Senior citizens	6,000	12,698	12,698	-
Social services	10,000	10,000	17,299	7,299
Program income	1,000	1,000	1,021	21
Senior citizens - transportation	3,200	3,200	3,229	29
Fiscal agent fees - regional library	3,600	3,600	3,600	-
Total recovered costs	\$ 1,038,402	\$ 1,116,939	\$ 1,077,895	\$ (39,044)
Total revenue from local sources	\$ 17,612,946	\$ 17,775,615	\$ 17,079,411	\$ (696,204)
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 8,000	\$ 8,000	\$ 10,936	\$ 2,936
Recordation tax	18,019	18,019	16,886	(1,133)
PPTRA	626,428	626,428	626,428	-
Communications tax	964,910	964,910	937,786	(27,124)
Auto rental tax	42,500	42,500	40,816	(1,684)
Total noncategorical aid	\$ 1,659,857	\$ 1,659,857	\$ 1,632,852	\$ (27,005)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 484,501	\$ 484,501	\$ 418,023	\$ (66,478)
Sheriff	1,925,070	1,925,070	1,678,411	(246,659)
Commissioner of the Revenue	118,800	118,800	105,567	(13,233)
Treasurer	96,627	96,627	87,317	(9,310)
Registrar/electoral board	48,285	48,285	41,429	(6,856)
Clerk of the circuit court	270,803	287,494	248,921	(38,573)
Total shared expenses	\$ 2,944,086	\$ 2,960,777	\$ 2,579,668	\$ (381,109)

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2010 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
<b>Primary Government: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Senior citizens	\$ 11,000	\$ 11,000	\$ 13,630	\$ 2,630
Confiscated assets	-	2,382	2,381	(1)
Victim witness	69,677	69,677	17,419	(52,258)
House Bill # 599 - police	962,942	962,942	841,344	(121,598)
EMS two for life	11,000	11,127	11,127	-
Fire grant	35,000	42,531	42,531	-
Street maintenance	2,727,140	2,727,140	2,625,314	(101,826)
Jail per diem	404,435	404,435	383,758	(20,677)
Indoor plumbing	63,950	63,950	32,600	(31,350)
Rescue squad assistance fund	0	1,740	1,717	(23)
Other categorical aid	15,000	184,298	183,968	(330)
Total other categorical aid	\$ 4,300,144	\$ 4,481,222	\$ 4,155,789	\$ (325,433)
Total categorical aid	\$ 7,244,230	\$ 7,441,999	\$ 6,735,457	\$ (706,542)
Total revenue from the Commonwealth	\$ 8,904,087	\$ 9,101,856	\$ 8,368,309	\$ (733,547)
Revenue from the federal government:				
Categorical aid:				
Victim witness	\$ -	\$ -	\$ 52,258	\$ 52,258
Confiscated assets	-	2,580	4,930	2,350
DMV grant - police	-	18,890	30,321	11,431
Senior citizens	20,000	21,744	21,545	(199)
Public Safety grants	40,221	119,279	139,959	20,680
COPS Technology grant	-	75,000	10,343	(64,657)
Indoor plumbing	-	-	63,950	63,950
Vipe overtime grant	-	3,452	12,693	9,241
ARRA - Energy efficiency grant	-	400,000	-	(400,000)
ARRA - Transportation grant	-	2,389,000	-	(2,389,000)
Total categorical aid	\$ 60,221	\$ 3,029,945	\$ 335,999	\$ (2,693,946)
Total revenue from the Federal Government	\$ 60,221	\$ 3,029,945	\$ 335,999	\$ (2,693,946)
<b>Total General Fund</b>	<b>\$ 26,577,254</b>	<b>\$ 29,907,416</b>	<b>\$ 25,783,719</b>	<b>\$ (4,123,697)</b>
<b>Special Revenue Funds:</b>				
<b>Grants Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 3,324	\$ 3,324	\$ 2,549	\$ (775)
Revenue from use of property	26,630	26,630	48,328	21,698
Total revenue from use of money and property	\$ 29,954	\$ 29,954	\$ 50,877	\$ 20,923

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>Grants Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Other miscellaneous revenue	\$ -	\$ 8,824	\$ 8,824	\$ -
Total revenue from local sources	\$ 29,954	\$ 38,778	\$ 59,701	\$ 20,923
Revenue from the Commonwealth:				
Categorical aid:				
Uptown planning grant	\$ -	\$ 13,500	\$ 10,000	\$ (3,500)
Total revenue from the Commonwealth	\$ -	\$ 13,500	\$ 10,000	\$ (3,500)
Revenue from the federal government:				
Categorical aid:				
Cherry street planning grant	\$ 500,000	\$ 535,000	\$ 207,175	\$ (327,825)
Total revenue from the Federal Government	\$ 500,000	\$ 535,000	\$ 207,175	\$ (327,825)
<b>Total Grants Fund</b>	<b>\$ 529,954</b>	<b>\$ 587,278</b>	<b>\$ 276,876</b>	<b>\$ (310,402)</b>
<b>Housing Choice Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,500	\$ 1,500	\$ 423	\$ (1,077)
Revenue from use of property	-	25,501	27,081	1,580
Total revenue from use of money and property	\$ 1,500	\$ 27,001	\$ 27,504	\$ 503
Miscellaneous revenue:				
Fraud recoveries	\$ 3,800	\$ 3,800	\$ 11,891	\$ 8,091
Other recovered costs	500	500	268	(232)
Other miscellaneous revenue	1,000	1,316	1,235	(81)
Total miscellaneous revenue	\$ 5,300	\$ 5,616	\$ 13,394	\$ 7,778
Total revenue from local sources	\$ 6,800	\$ 32,617	\$ 40,898	\$ 8,281
Revenue from the federal government:				
Categorical aid:				
Housing assistance	\$ 1,420,260	\$ 1,420,260	\$ 1,710,793	\$ 290,533
Moderate rehab. assistance	323,369	323,369	61,318	(262,051)
Other federal assistance	221,760	221,760	258,553	36,793
Total revenue from the Federal Government	\$ 1,965,389	\$ 1,965,389	\$ 2,030,664	\$ 65,275
<b>Total Housing Choice Fund</b>	<b>\$ 1,972,189</b>	<b>\$ 1,998,006</b>	<b>\$ 2,071,562</b>	<b>\$ 73,556</b>
<b>Total Special Revenue Funds</b>	<b>\$ 2,502,143</b>	<b>\$ 2,585,284</b>	<b>\$ 2,348,438</b>	<b>\$ (236,846)</b>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2010 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
<b>Primary Government: (Continued)</b>				
<b>Capital Projects Funds:</b>				
<b>Capital Reserve Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 132,266	\$ 132,266	\$ -
Total revenue from local sources	\$ -	\$ 132,266	\$ 132,266	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco commission grant	\$ -	\$ 590,000	\$ 590,000	\$ -
Total revenue from the Commonwealth	\$ -	\$ 590,000	\$ 590,000	\$ -
<b>Total Capital Reserve Fund</b>	<b>\$ -</b>	<b>\$ 722,266</b>	<b>\$ 722,266</b>	<b>\$ -</b>
<b>Meals Tax Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Meals taxes	\$ 1,463,650	\$ 1,463,650	\$ 1,390,907	\$ (72,743)
<b>Total Meals Tax Fund</b>	<b>\$ 1,463,650</b>	<b>\$ 1,463,650</b>	<b>\$ 1,390,907</b>	<b>\$ (72,743)</b>
<b>Total Capital Projects Funds</b>	<b>\$ 1,463,650</b>	<b>\$ 2,185,916</b>	<b>\$ 2,113,173</b>	<b>\$ (72,743)</b>
<b>Grand Total Revenues -- Primary Government</b>	<b>\$ 30,543,047</b>	<b>\$ 34,678,616</b>	<b>\$ 30,245,330</b>	<b>\$ (4,433,286)</b>
<b>Component Unit-School Board:</b>				
<b>Governmental Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 44,500	\$ 44,500	\$ 73,871	\$ 29,371
Charges for services:				
Tuition and other charges for services	42,000	42,000	114,335	72,335
Miscellaneous revenue:				
Miscellaneous revenue	10,000	274,765	277,478	2,713
Recovered costs:				
Recovered costs	-	-	116,342	116,342
Total revenue from local sources	\$ 96,500	\$ 361,265	\$ 582,026	\$ 220,761

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2010 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
<b>Component Unit-School Board: (Continued)</b>				
<b>Governmental Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenue:				
Revenues from local governments:				
Contribution from City of Martinsville, Virginia	\$ 6,209,715	\$ 6,209,715	\$ 6,018,852	\$ (190,863)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,621,234	\$ 2,621,234	\$ 2,480,884	\$ (140,350)
Basic school aid	7,824,955	7,824,955	6,928,225	(896,730)
Share of fringe benefits - Fica	492,740	492,740	475,810	(16,930)
Share of fringe benefits - VRS	634,590	634,590	459,589	(175,001)
Lottery proceeds	169,603	169,603	208,077	38,474
Regional tuition special education	132,201	132,201	37,321	(94,880)
At risk 4 year olds	218,578	218,578	223,229	4,651
Vocational SOQ payments	266,901	266,901	257,731	(9,170)
Special education - basic	914,556	914,556	883,132	(31,424)
At risk students	441,606	441,606	418,907	(22,699)
Remedial education	378,887	378,887	365,869	(13,018)
Reduced K-3	573,452	573,452	521,116	(52,336)
Textbooks	221,211	221,211	-	(221,211)
Technology	154,000	154,000	154,000	-
Other state funds	751,138	771,977	1,002,161	230,184
Total revenue from the Commonwealth	\$ 15,795,652	\$ 15,816,491	\$ 14,416,051	\$ (1,400,440)
Revenue from the federal government:				
Categorical aid:				
Vocational education - Carl Perkins	\$ 61,945	\$ 61,945	\$ 61,945	\$ -
State fiscal stabilization funds	1,074,488	1,074,488	1,201,358	126,870
NASA program	-	125,000	10,441	(114,559)
21st century grant	-	87,283	133,136	45,853
Workforce investment act	37,604	37,604	22,241	(15,363)
Other federal categorical aid	-	-	37,104	37,104
Total categorical aid	\$ 1,174,037	\$ 1,386,320	\$ 1,466,225	\$ 79,905
Total revenue from the federal government	\$ 1,174,037	\$ 1,386,320	\$ 1,466,225	\$ 79,905
<b>Total School Operating Fund</b>	<b>\$ 23,275,904</b>	<b>\$ 23,773,791</b>	<b>\$ 22,483,154</b>	<b>\$ (1,290,637)</b>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2010 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
<b>Component Unit-School Board: (Continued)</b>				
<b>Governmental Funds: (Continued)</b>				
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 10,500	\$ 10,500	\$ 756	\$ (9,744)
Charges for services:				
Cafeteria sales	\$ 501,000	\$ 501,000	\$ 453,104	\$ (47,896)
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 20,833	\$ 20,833	\$ 28,658	\$ 7,825
Revenue from the federal government:				
Categorical aid:				
School food	\$ 648,654	\$ 648,654	\$ 990,946	\$ 342,292
<b>Total School Cafeteria Fund</b>	<b>\$ 1,180,987</b>	<b>\$ 1,180,987</b>	<b>\$ 1,473,464</b>	<b>\$ 292,477</b>
<b>School Grants Fund:</b>				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ -	\$ 1,598,355	\$ 1,073,811	\$ (524,544)
Title II - teacher quality	-	208,385	191,956	(16,429)
Title VI - rural education	-	817,050	224,296	(592,754)
Drug free schools	-	230,221	175,707	(54,514)
Special education - flow through	-	651,738	368,967	(282,771)
State academic achievement grant	-	-	5,203	5,203
Total revenue from the federal government	\$ -	\$ 3,505,749	\$ 2,039,940	\$ (1,465,809)
<b>Total School Grants Fund</b>	<b>\$ -</b>	<b>\$ 3,505,749</b>	<b>\$ 2,039,940</b>	<b>\$ (1,465,809)</b>
<b>Grand Total Revenues--Component Unit - School Board</b>	<b>\$ 24,456,891</b>	<b>\$ 28,460,527</b>	<b>\$ 25,996,558</b>	<b>\$ (2,463,969)</b>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2010

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government:</b>				
<b>General Fund:</b>				
General Government Administration:				
Legislative:				
City council	\$ 40,030	\$ 40,030	\$ 36,156	\$ 3,874
General and Financial Administration:				
Clerk of council	\$ 1,834	\$ 1,834	\$ 2,264	\$ (430)
City attorney	88,037	88,037	94,658	(6,621)
City manager's office	209,638	222,581	218,556	4,025
Assistant city manager	63,990	63,990	63,257	733
Legal services	20,000	35,000	22,543	12,457
Human resources	175,508	162,565	148,537	14,028
Employment services	265,758	265,758	240,319	25,439
Communications	90,552	93,552	76,878	16,674
Commissioner of the Revenue	392,334	392,334	379,466	12,868
Treasurer	276,495	276,495	254,860	21,635
Finance director	10,015	10,015	7,559	2,456
Accounting	270,764	270,764	244,032	26,732
Utility billing	454,600	460,927	438,337	22,590
Information services	339,222	339,222	332,884	6,338
Central garage	523,335	523,335	496,463	26,872
Purchasing	247,116	247,116	236,563	10,553
Risk management	262,000	262,000	247,820	14,180
General expenses	205,061	268,676	176,664	92,012
Total general and financial administration	\$ 3,896,259	\$ 3,984,201	\$ 3,681,660	\$ 302,541
Board of Elections:				
Electoral board and officials	\$ 27,762	\$ 27,762	\$ 22,349	\$ 5,413
Registrar	117,896	120,446	89,862	30,584
Total board of elections	\$ 145,658	\$ 148,208	\$ 112,211	\$ 35,997
Total general government administration	\$ 4,081,947	\$ 4,172,439	\$ 3,830,027	\$ 342,412
Judicial Administration:				
Courts:				
Circuit court	\$ 86,325	\$ 88,825	\$ 81,588	\$ 7,237
General district court	31,800	31,800	22,389	9,411
Juvenile and domestic relations court	7,580	7,580	6,387	1,193
Clerk of the circuit court	373,059	398,867	358,824	40,043
Sheriff - courts	808,300	834,627	790,513	44,114
Total Courts	\$ 1,307,064	\$ 1,361,699	\$ 1,259,701	\$ 101,998

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Commonwealth Attorney:				
Commonwealth attorney	\$ 625,999	\$ 627,833	\$ 556,663	\$ 71,170
Victim witness program	69,551	69,551	69,611	(60)
Total Commonwealth attorney	\$ 695,550	\$ 697,384	\$ 626,274	\$ 71,110
Total judicial administration	\$ 2,002,614	\$ 2,059,083	\$ 1,885,975	\$ 173,108
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	\$ 4,065,694	\$ 4,271,915	\$ 3,930,658	\$ 341,257
Transportation safety commission	1,500	1,500	1,500	-
E-911 communication center	309,740	309,740	306,605	3,135
Total law enforcement and traffic control	\$ 4,376,934	\$ 4,583,155	\$ 4,238,763	\$ 344,392
Fire and Rescue Services:				
Fire services	\$ 1,939,974	\$ 2,004,284	\$ 1,788,208	\$ 216,076
Emergency medical services	153,901	194,825	167,604	27,221
Total fire and rescue services	\$ 2,093,875	\$ 2,199,109	\$ 1,955,812	\$ 243,297
Correction and Detention:				
Sheriff -corrections	\$ 2,458,149	\$ 2,536,874	\$ 2,301,712	\$ 235,162
Sheriff -jail annex	163,150	163,150	157,221	5,929
Probation office	292,245	292,245	296,970	(4,725)
Total correction and detention	\$ 2,913,544	\$ 2,992,269	\$ 2,755,903	\$ 236,366
Inspections:				
Building and other	\$ 246,284	\$ 276,309	\$ 220,563	\$ 55,746
Other Protection:				
Safety	\$ 88,415	\$ 88,415	\$ 80,685	\$ 7,730
Total other protection	\$ 88,415	\$ 88,415	\$ 80,685	\$ 7,730
Total public safety	\$ 9,719,052	\$ 10,139,257	\$ 9,251,726	\$ 887,531
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Director of public works	\$ 96,363	\$ 96,363	\$ 94,689	\$ 1,674



Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Highways, streets, bridges and sidewalks:				
Engineering	\$ 170,468	\$ 170,468	\$ 157,162	\$ 13,306
Street maintenance	1,600,663	1,600,663	1,452,372	148,291
Street marking and signs	196,856	196,856	175,771	21,085
Traffic signals	428,947	442,603	412,150	30,453
Street cleaning	455,674	455,674	471,930	(16,256)
VDOT reserve	-	-	3,021	(3,021)
Street construction	404,641	404,641	393,264	11,377
Thoroughfare construction	-	2,516,916	126,950	2,389,966
Total highways, streets, bridges and sidewalks	\$ 3,353,612	\$ 5,884,184	\$ 3,287,309	\$ 2,596,875
Maintenance of buildings and grounds:				
Uptown maintenance	\$ 43,000	\$ 43,000	\$ 43,031	\$ (31)
City hall maintenance	427,533	867,533	427,110	440,423
Social services building maintenance	3,000	3,000	5,630	(2,630)
Indoor Plumbing	161,535	161,535	145,724	15,811
Rescue squad building	8,000	8,000	6,695	1,305
WPBDC building	5,000	5,000	5,048	(48)
Fiber optic network	151,000	151,000	164,822	(13,822)
Housing services building	15,500	15,500	4,329	11,171
Public health center	15,000	15,000	6,695	8,305
Total maintenance of buildings and grounds	\$ 829,568	\$ 1,269,568	\$ 809,084	\$ 460,484
Total public works	\$ 4,183,180	\$ 7,153,752	\$ 4,096,393	\$ 3,057,359
Health and Welfare				
Health:				
Comprehensive services	\$ -	\$ -	\$ 74,123	\$ (74,123)
Contribution to local health department	191,275	191,275	171,296	19,979
Total health	\$ 191,275	\$ 191,275	\$ 245,419	\$ (54,144)
Mental Health and Mental Retardation:				
Chapter X board	\$ 56,650	\$ 56,650	\$ 56,650	\$ -
Welfare/Social Services:				
Regional social services board	\$ 327,848	\$ 1,126,848	\$ 1,094,195	\$ 32,653
Total welfare/social services	\$ 327,848	\$ 1,126,848	\$ 1,094,195	\$ 32,653
Total health and welfare	\$ 575,773	\$ 1,374,773	\$ 1,396,264	\$ (21,491)

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Education:				
Contributions to community colleges	\$ 20,725	\$ 20,725	\$ 20,725	\$ -
Contributions to School Board Component Unit	6,289,715	6,289,715	6,018,852	270,863
Total education	\$ 6,310,440	\$ 6,310,440	\$ 6,039,577	\$ 270,863
Parks, Recreation, and Cultural:				
Parks and recreation:				
Parks & Recreation	\$ 182,531	\$ 193,789	\$ 196,262	\$ (2,473)
Park maintenance	299,661	329,744	260,446	69,298
Hooker field	44,752	48,806	50,733	(1,927)
Senior center	213,857	224,405	212,521	11,884
Armory	88,644	91,635	78,011	13,624
Total parks and recreation	\$ 829,445	\$ 888,379	\$ 797,973	\$ 90,406
Library:				
Regional library	\$ 338,045	\$ 338,045	\$ 338,045	\$ -
Total parks, recreation and cultural	\$ 1,167,490	\$ 1,226,424	\$ 1,136,018	\$ 90,406
Community Development:				
Planning and Community Development:				
Housing / community development	\$ 101,361	\$ 101,361	\$ 98,756	\$ 2,605
Miscellaneous development expenses	83,400	107,370	112,029	(4,659)
Planning and zoning	110,055	110,055	102,725	7,330
Contributions to local organizations	778,756	784,622	814,913	(30,291)
Total planning and community development	\$ 1,073,572	\$ 1,103,408	\$ 1,128,423	\$ (25,015)
Cooperative Extension Program:				
Horticulture and family resources	\$ 8,550	\$ 8,550	\$ 8,550	\$ -
Total community development	\$ 1,082,122	\$ 1,111,958	\$ 1,136,973	\$ (25,015)
Debt service:				
Principal retirement	\$ 131,192	\$ 131,192	\$ 131,192	\$ -
Interest and other debt costs	18,344	18,344	18,344	-
Total debt service	\$ 149,536	\$ 149,536	\$ 149,536	\$ -
<b>Total General Fund</b>	<b>\$ 29,272,154</b>	<b>\$ 33,697,662</b>	<b>\$ 28,922,489</b>	<b>\$ 4,775,173</b>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>Special Revenue Funds:</b>				
<b>City Grants Fund:</b>				
Planning and Community Development:				
Community development block grant	\$ 449,400	\$ 863,880	\$ 447,646	\$ 416,234
<b>Total City Grants Fund</b>	<u>\$ 449,400</u>	<u>\$ 863,880</u>	<u>\$ 447,646</u>	<u>\$ 416,234</u>
<b>Housing Choice Fund:</b>				
Planning and Community Development:				
Housing choice voucher program	\$ 2,239,610	\$ 2,756,366	\$ 2,588,594	\$ 167,772
<b>Total Housing Choice Fund</b>	<u>\$ 2,239,610</u>	<u>\$ 2,756,366</u>	<u>\$ 2,588,594</u>	<u>\$ 167,772</u>
<b>Total Special Revenue Funds</b>	<u>\$ 2,689,010</u>	<u>\$ 3,620,246</u>	<u>\$ 3,036,240</u>	<u>\$ 584,006</u>
<b>Capital Project Funds:</b>				
<b>Capital Reserve Fund:</b>				
Capital outlays and projects:				
General Government Administration:				
Communications equipment	\$ 26,000	\$ 55,932	\$ 35,904	\$ 20,028
ADP equipment - information services	80,000	111,400	97,363	14,037
Fiber optic network	37,700	37,700	45,341	(7,641)
Central garage	34,560	34,560	27,858	6,702
City hall	-	20,365	20,365	-
Tobacco funds	-	590,000	590,000	-
Minet - phone system	-	72,235	74,687	(2,452)
Motor vehicles	20,800	28,000	13,037	14,963
<b>Total general government administration</b>	<u>\$ 199,060</u>	<u>\$ 950,192</u>	<u>\$ 904,555</u>	<u>\$ 45,637</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department - motor vehicles	\$ 66,278	\$ 66,278	\$ 58,565	\$ 7,713
Jail - motor vehicles	29,000	29,000	-	29,000
Jail expansion	40,000	40,000	36,954	3,046
<b>Total law enforcement and traffic control</b>	<u>\$ 135,278</u>	<u>\$ 135,278</u>	<u>\$ 95,519</u>	<u>\$ 39,759</u>
Fire and Rescue Services:				
Fire services - equipment	\$ 9,800	\$ 9,800	\$ 9,800	\$ -
Fire services - physical plant expansion	15,000	15,000	14,200	800
Fire services - communication equipment	10,000	33,517	28,235	5,282
<b>Total fire and rescue services</b>	<u>\$ 34,800</u>	<u>\$ 58,317</u>	<u>\$ 52,235</u>	<u>\$ 6,082</u>
<b>Total public safety</b>	<u>\$ 170,078</u>	<u>\$ 193,595</u>	<u>\$ 147,754</u>	<u>\$ 45,841</u>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>Capital Projects Funds: (Continued)</b>				
Public Works:				
Highways, streets, bridges and sidewalks:				
Street construction - equipment	\$ -	\$ 1,890	\$ 1,890	\$ -
Street construction - motor vehicles	71,000	69,110	36,939	32,171
Public works - equipment	-	6,582	6,095	487
Total public works	\$ 71,000	\$ 77,582	\$ 44,924	\$ 32,658
Parks, Recreation, and Cultural:				
Parks and recreation:				
Park maintenance - motor vehicles	\$ 31,000	\$ 31,000	\$ 29,168	\$ 1,832
Total parks, recreation and cultural	\$ 31,000	\$ 31,000	\$ 29,168	\$ 1,832
Debt service:				
Principal retirement	\$ 308,308	\$ 308,308	\$ 308,305	\$ 3
Interest and other debt costs	47,688	47,688	48,140	(452)
Total debt service	\$ 355,996	\$ 355,996	\$ 356,445	\$ (449)
<b>Total Capital Reserve Fund</b>	<b>\$ 827,134</b>	<b>\$ 1,608,365</b>	<b>\$ 1,482,846</b>	<b>\$ 125,519</b>
<b>Meals Tax Fund:</b>				
General Government Administration:				
Meals tax administration	\$ 35,190	\$ 35,190	\$ 35,190	\$ -
Debt service:				
Principal retirement	\$ 812,014	\$ 812,014	\$ 812,013	\$ 1
Interest and other debt costs	322,633	322,633	322,632	1
Total debt service	\$ 1,134,647	\$ 1,134,647	\$ 1,134,645	\$ 2
<b>Total Meals Tax Fund</b>	<b>\$ 1,169,837</b>	<b>\$ 1,169,837</b>	<b>\$ 1,169,835</b>	<b>\$ 2</b>
<b>Total Capital Project Funds</b>	<b>\$ 1,996,971</b>	<b>\$ 2,778,202</b>	<b>\$ 2,652,681</b>	<b>\$ 125,521</b>
<b>Grand Total Expenditures - Primary Government</b>	<b>\$ 33,958,135</b>	<b>\$ 40,096,110</b>	<b>\$ 34,611,410</b>	<b>\$ 5,484,700</b>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2010 (Continued)

<b>Fund, Function, Activity and Elements</b>	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
<b>Component Unit - School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction	\$ 13,743,363	\$ 14,249,649	\$ 13,961,431	\$ 288,218
Administration, attendance and health	5,785,202	5,867,149	5,218,772	648,377
Pupil transportation	1,154,928	1,159,363	829,769	329,594
Operation and maintenance of school plant	<u>2,842,411</u>	<u>2,841,191</u>	<u>2,553,219</u>	<u>287,972</u>
Total operating costs	<u>\$ 23,525,904</u>	<u>\$ 24,117,352</u>	<u>\$ 22,563,191</u>	<u>\$ 1,554,161</u>
Total School Operating Fund	<u><u>\$ 23,525,904</u></u>	<u><u>\$ 24,117,352</u></u>	<u><u>\$ 22,563,191</u></u>	<u><u>\$ 1,554,161</u></u>
<b>School Cafeteria Fund:</b>				
Education:				
School food services	<u>\$ 1,180,987</u>	<u>\$ 1,180,987</u>	<u>\$ 1,387,812</u>	<u>\$ (206,825)</u>
<b>School Grants Fund:</b>				
Education:				
Instruction costs	<u>\$ -</u>	<u>\$ 3,505,749</u>	<u>\$ 2,027,870</u>	<u>\$ 1,477,879</u>
Grand Total Expenditures - Component Unit - School Board	<u><u>\$ 24,706,891</u></u>	<u><u>\$ 28,804,088</u></u>	<u><u>\$ 25,978,873</u></u>	<u><u>\$ 2,825,215</u></u>

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<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 Assets by Component	1
Changes in Net Assets	2
Governmental Activities Tax Revenues by Source--(Accrual Basis of Accounting)	3
Fund Balances of Governmental Funds	4
Changes in Fund Balances of Governmental Funds	5
Governmental Activities Tax Revenues by Source (Modified Accrual Basis of Accountin	6

### 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.

Assessed Value of Taxable Property	7
Property Tax Rates	not used
Principal Taxpayers	8
Property Tax Levies and Collections	9

### 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	10
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	11
Computation of Direct and Overlapping Bonded Debt	12

### Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. Demographic and Economic Statistics

### Operating Information

These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relate to the services the City provides and the activities it performs.

Principal Employers--Current year and nine years ago	14
Full-time Equivalent City Government Employees by Function--Last Seven Fiscal Years	15
Operating Indicators by Function--Last Three Fiscal Years	16
Capital Asset Statistics by Function--Last Three Fiscal Years	17

### Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

Net Assets by Component  
Last Five Fiscal Years  
(Accrual Basis of Accounting)

	2006	2007	2008	2009	2010
Governmental activities:					
Invested in capital assets, net of related debt	\$ (123,200)	\$ 5,142,385	\$ 5,319,803	\$ 5,351,713	\$ 4,937,602
Unrestricted	2,152,087	4,734,923	6,512,958	5,938,838	5,144,384
Total governmental activities net assets	<u>\$ 2,028,887</u>	<u>\$ 9,877,308</u>	<u>\$ 11,832,761</u>	<u>\$ 11,290,551</u>	<u>\$ 10,081,986</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 14,161,621	\$ 14,643,741	\$ 14,934,394	\$ 15,210,773	\$ 14,737,980
Unrestricted	8,413,648	8,031,456	8,389,158	6,452,916	6,694,375
Total business-type activities net assets	<u>\$ 22,575,269</u>	<u>\$ 22,675,197</u>	<u>\$ 23,323,552</u>	<u>\$ 21,663,689</u>	<u>\$ 21,432,355</u>
Primary government					
Invested in capital assets, net of related debt	\$ 14,038,421	\$ 19,786,126	\$ 20,254,197	\$ 20,562,486	\$ 19,675,582
Unrestricted	10,565,735	12,766,379	14,902,116	12,391,754	11,838,759
Total primary government	<u>\$ 24,604,156</u>	<u>\$ 32,552,505</u>	<u>\$ 35,156,313</u>	<u>\$ 32,954,240</u>	<u>\$ 31,514,341</u>

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



Changes in Net Assets  
Last Five Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Expenses:</b>					
Governmental activities:					
General government administration	\$ 3,368,586	\$ 3,163,344	\$ 3,632,533	\$ 4,276,071	\$ 4,093,661
Judicial administration	1,565,300	1,767,723	1,907,359	2,000,159	1,885,494
Public safety	9,145,017	9,048,222	9,397,114	9,696,451	9,472,187
Public works	3,544,843	4,399,867	4,210,661	4,692,221	4,304,621
Health and welfare	630,735	577,782	502,245	582,129	1,292,705
Education	7,609,659	7,418,547	7,834,905	7,679,809	6,778,437
Parks, recreation, and cultural	1,472,756	1,486,711	1,740,767	1,096,975	1,149,286
Community development	3,544,537	4,303,337	3,005,045	3,954,587	3,755,520
Interest and other fiscal charges	757,926	511,628	313,246	514,838	402,996
Total governmental activities expenses	\$ 31,639,359	\$ 32,677,161	\$ 32,543,875	\$ 34,493,240	\$ 33,134,907
Business-type activities:					
Electric	11,533,301	14,000,303	14,386,289	15,660,263	16,432,597
Water	1,819,844	1,873,437	2,014,138	2,135,742	1,874,519
Sewer	2,552,257	2,775,866	2,818,953	3,105,291	2,996,728
Refuse collection / landfill	1,563,843	1,289,533	2,957,901	2,368,403	1,138,147
Total business-type activities expenses	\$ 17,469,245	\$ 19,939,139	\$ 22,177,281	\$ 23,269,699	\$ 22,441,991
Total primary government expenses	\$ 49,108,604	\$ 52,616,300	\$ 54,721,156	\$ 57,762,939	\$ 55,576,898
<b>Program revenues:</b>					
Governmental activities:					
Charges for services:					
General government administration	\$ 57,777	\$ 80,019	\$ 91,900	\$ 113,848	\$ 143,119
Judicial administration	276,702	260,975	234,672	252,763	273,737
Public safety	339,337	334,052	325,242	361,662	421,844
Public works	90,364	90,002	90,879	92,071	109,045
Parks, recreation, and cultural	126,146	142,074	135,477	141,895	162,368
Community Development	-	-	-	-	-
Operating grants and contributions:					
General government administration	242,419	272,402	276,647	267,032	234,313
Judicial administration	645,010	786,710	866,548	780,735	736,621
Public safety	3,083,108	3,535,245	3,940,060	3,955,895	3,397,090
Public works	2,337,755	2,431,846	2,591,437	2,642,578	2,625,314
Health and welfare	277,439	360,404	13,996	12,258	23,973
Parks, recreation, and cultural	18,964	18,227	21,953	17,467	21,545
Community development	2,168,303	2,426,624	2,715,790	2,378,903	2,280,439
Capital grants and contributions	139,368	834,435	647,121	138,691	590,000
Total governmental activities program revenues	\$ 9,802,692	\$ 11,573,015	\$ 11,951,722	\$ 11,155,798	\$ 11,019,408

Changes in Net Assets  
Last Five Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
Business-type activities:					
Charges for services:					
Electric	\$ 15,356,098	\$ 16,499,732	\$ 17,357,449	\$ 16,728,961	\$ 16,624,330
Water	2,575,303	2,998,529	3,639,981	3,216,234	2,912,964
Sewer	2,735,337	3,300,744	3,815,476	3,876,929	3,763,519
Refuse collection / landfill	2,533,568	1,396,947	1,370,624	1,431,649	1,698,501
Operating grants and contributions	-	48,003	-	-	-
Total business-type activities program revenues	\$ 23,200,306	\$ 24,243,955	\$ 26,183,530	\$ 25,253,773	\$ 24,999,314
Total primary government program revenues	\$ 33,002,998	\$ 35,816,970	\$ 38,135,252	\$ 36,409,571	\$ 36,018,722
Net (expense) / revenue					
Governmental activities	\$ (21,836,667)	\$ (21,104,147)	\$ (20,592,153)	\$ (23,337,441)	\$ (22,115,499)
Business-type activities	5,731,061	4,304,816	4,006,249	1,984,074	2,557,323
Total primary government net expense	\$ (16,105,606)	\$ (16,799,331)	\$ (16,585,904)	\$ (21,353,367)	\$ (19,558,176)
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
General property taxes	\$ 7,677,907	\$ 8,759,342	\$ 9,202,010	\$ 9,443,548	\$ 9,036,094
Local sales and use taxes	2,145,605	2,279,517	2,054,229	2,015,151	1,759,239
Consumer utility taxes	768,590	758,582	749,579	735,458	718,563
Business license taxes	1,713,541	1,757,733	1,837,209	1,849,974	1,676,826
Meals tax	1,155,170	1,368,860	1,403,131	1,430,326	1,390,907
Telephone taxes	559,954	267,252	-	-	-
Other local taxes	1,223,340	1,428,376	1,803,565	1,792,617	1,738,173
Commonwealth of Virginia non-categorical aid	732,396	734,180	724,000	704,371	695,066
Unrestricted revenues from use of money and property	965,674	1,460,400	1,006,575	732,669	714,804
Miscellaneous	246,894	320,679	283,529	441,675	374,241
Transfers	4,550,493	4,392,215	3,483,779	3,649,442	2,803,021
Total governmental activities	\$ 21,739,564	\$ 23,527,136	\$ 22,547,606	\$ 22,795,231	\$ 20,906,934
Business-type activities:					
Transfers	\$ (4,550,493)	\$ (4,392,215)	\$ (3,483,779)	\$ (3,649,442)	\$ (2,803,021)
Unrestricted revenues from use of money and property	108,482	187,327	125,885	5,505	14,364
Total business-type activities	\$ (4,442,011)	\$ (4,204,888)	\$ (3,357,894)	\$ (3,643,937)	\$ (2,788,657)
Total primary government	\$ 17,297,553	\$ 19,322,248	\$ 19,189,712	\$ 19,151,294	\$ 18,118,277
<b>Change in Net Assets</b>					
Governmental activities	\$ (97,103)	\$ 2,422,989	\$ 1,955,453	\$ (542,210)	\$ (1,208,565)
Business-type activities	1,289,050	99,928	648,355	(1,659,863)	(231,334)
Total primary government	\$ 1,191,947	\$ 2,522,917	\$ 2,603,808	\$ (2,202,073)	\$ (1,439,899)

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

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

<b>Fiscal Year</b>	<b>General Property Taxes</b>	<b>Local Sales and Use Taxes</b>	<b>Consumer Utility Taxes</b>	<b>Business License Taxes</b>	<b>Meals Taxes</b>	<b>Telephone Taxes</b>	<b>Other Local Taxes</b>	<b>Total</b>
2010	\$ 9,036,094	\$ 1,759,239	\$ 718,563	\$ 1,676,826	\$ 1,390,907	\$ -	\$ 1,738,173	\$ 16,319,802
2009	9,443,548	2,015,151	735,458	1,849,974	1,430,326	-	1,792,617	17,267,074
2008	9,202,010	2,054,229	749,579	1,837,209	1,403,131	-	1,803,565	17,049,723
2007	8,759,342	2,279,517	758,582	1,757,733	1,368,860	267,252	1,428,376	16,619,662
2006	7,677,907	2,145,605	768,590	1,713,541	1,155,170	559,954	1,223,340	15,244,107
2005	7,460,249	2,020,464	769,307	1,750,980	1,119,338	598,640	1,094,081	14,813,059

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

**CITY OF MARTINSVILLE, VIRGINIA**

## Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

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	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund					
Unreserved, designated	\$ 156,109	\$ 156,109	156,694	\$ 154,099	154,099
Unreserved, undesignated	<u>691,135</u>	<u>1,157,731</u>	<u>635,008</u>	<u>659,306</u>	<u>354,406</u>
Total general fund	<u>\$ 847,244</u>	<u>\$ 1,313,840</u>	<u>791,702</u>	<u>\$ 813,405</u>	<u>508,505</u>
All other governmental funds					
Unreserved, reported in:					
Special revenue funds (deficit)	\$ (213,983)	\$ (387,443)	175,600	\$ 420,396	1,127,266
Capital projects funds	<u>1,007,923</u>	<u>71,774</u>	<u>(225,378)</u>	<u>(170,780)</u>	<u>(347,663)</u>
Total all other governmental funds	<u>\$ 793,940</u>	<u>\$ (315,669)</u>	<u>(49,778)</u>	<u>\$ 249,616</u>	<u>779,603</u>

Table 4

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<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 154,099	\$ 154,099	\$ 154,099	\$ 154,099	\$ 154,099
<u>954,031</u>	<u>2,081,470</u>	<u>3,666,122</u>	<u>2,959,209</u>	<u>2,090,139</u>
<u>\$ 1,108,130</u>	<u>\$ 2,235,569</u>	<u>\$ 3,820,221</u>	<u>\$ 3,113,308</u>	<u>\$ 2,244,238</u>
\$ (459,576)	\$ 54,241	\$ 516,890	\$ 116,818	\$ (230,984)
<u>169,943</u>	<u>1,070,070</u>	<u>834,781</u>	<u>1,177,707</u>	<u>1,171,520</u>
<u>\$ (289,633)</u>	<u>\$ 1,124,311</u>	<u>\$ 1,351,671</u>	<u>\$ 1,294,525</u>	<u>\$ 940,536</u>

# CITY OF MARTINSVILLE, VIRGINIA

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

	2001	2002	2003	2004
Revenues:				
General property taxes	\$ 6,374,432	\$ 6,754,405	\$ 7,288,727	\$ 7,338,045
Other local taxes	6,518,345	6,887,937	7,112,440	7,352,810
Permits, privilege fees and regulatory licenses	13,360	101,779	69,393	199,679
Fines and forfeitures	214,765	188,946	221,076	251,543
Revenue from use of money and property	603,587	603,793	485,093	659,907
Charges for services	118,322	127,495	118,038	213,979
Miscellaneous	391,409	259,880	340,160	292,673
Recovered costs	940,455	964,001	947,939	900,686
Intergovernmental:				
Commonwealth	8,206,223	6,941,379	7,008,991	6,995,579
Federal	1,525,729	2,465,669	2,485,469	2,255,816
Total revenues	\$ 24,906,627	\$ 25,295,284	\$ 26,077,326	\$ 26,460,717
Expenditures:				
General government administration	\$ 2,827,411	\$ 2,956,254	\$ 3,123,305	\$ 4,079,407
Judicial administration	1,585,234	1,418,241	1,372,696	1,468,873
Public safety	7,779,779	7,678,200	7,845,641	8,935,052
Public works	3,266,630	3,366,197	3,667,769	3,551,770
Health and welfare	613,511	497,656	561,968	454,094
Education	7,653,244	7,442,194	6,877,698	6,403,847
Parks, recreation, and cultural	966,334	949,304	969,929	1,157,425
Community development	2,324,440	3,364,924	2,997,166	3,766,058
Capital Outlays	915,394	745,583	677,481	-
Capital Projects	2,125,148	184,620	110,432	-
Non-departmental	132,802	120,008	-	-
Debt service:				
Principal retirement	765,000	951,135	1,906,339	1,092,255
Interest and other fiscal charges	533,395	550,070	608,736	497,758
Total expenditures	\$ 31,488,322	\$ 30,224,386	\$ 30,719,160	\$ 31,406,539
Excess (deficiency) of revenues over expenditures	\$ (6,581,695)	\$ (4,929,102)	\$ (4,641,834)	\$ (4,945,822)
Other financing sources (uses):				
Proceeds from debt issued	\$ 807,510	\$ 476,888	\$ 127,000	\$ 427,575
Retirement of commercial loans	-	-	-	-
Retirement of interim financing	-	-	-	-
Sale of property	-	-	1,177,000	-
Refund VDOT grant	(450,000)	-	-	-
Operating transfers from/to primary government	(7,653,244)	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	5,995,144	4,772,234	3,902,199	5,868,548
Transfers (out)	(414,062)	(550,750)	(426,586)	(1,125,214)
Total other financing sources (uses)	\$ (1,714,652)	\$ 4,698,372	\$ 4,779,613	\$ 5,170,909
Net changes in fund balances	\$ (8,296,347)	\$ (230,730)	\$ 137,779	\$ 225,087
Debt service as a percentage of noncapital expenditures	4.56%	5.12%	8.40%	5.30%

Table 5

	2005	2006	2007	2008	2009	2010
\$	7,642,006	\$ 8,744,282	\$ 8,744,282	\$ 9,252,784	\$ 9,305,221	\$ 9,080,208
	7,566,200	7,860,321	7,860,321	7,847,713	7,823,526	7,283,708
	418,210	436,393	436,393	432,554	447,276	560,910
	235,837	207,286	207,286	167,266	180,298	172,344
	965,674	1,472,629	1,472,629	1,006,575	732,669	714,804
	236,278	263,442	263,442	278,350	334,665	376,859
	246,894	320,678	320,678	283,529	441,676	374,241
	894,882	1,084,522	1,084,522	1,113,309	995,822	1,077,895
	7,176,201	8,346,744	8,346,744	8,840,847	7,764,295	8,030,523
	2,468,561	3,053,329	3,053,329	2,956,705	3,133,635	2,573,838
\$	<u>27,850,743</u>	<u>\$ 31,789,626</u>	<u>\$ 31,789,626</u>	<u>\$ 32,179,632</u>	<u>\$ 31,159,083</u>	<u>\$ 30,245,330</u>
\$	3,924,510	\$ 3,888,574	\$ 3,888,574	\$ 4,302,438	\$ 5,012,363	\$ 4,769,772
	1,566,000	1,779,779	1,779,779	1,907,589	2,000,189	1,885,975
	9,200,137	9,191,113	9,191,113	9,716,719	9,874,293	9,399,480
	3,820,345	4,518,076	4,518,076	4,062,576	4,911,994	4,141,317
	642,240	600,133	600,133	521,146	605,854	1,396,264
	8,740,321	6,695,401	6,695,401	7,082,718	6,891,809	6,039,577
	1,459,050	1,491,346	1,491,346	1,722,562	1,108,760	1,165,186
	3,726,792	4,516,723	4,516,723	2,970,905	3,950,792	4,173,213
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	1,183,049	1,103,063	1,103,063	3,660,658	3,660,350	1,251,510
	638,403	482,109	482,109	368,440	528,333	389,116
\$	<u>34,900,847</u>	<u>\$ 34,266,317</u>	<u>\$ 34,266,317</u>	<u>\$ 36,315,751</u>	<u>\$ 38,544,737</u>	<u>\$ 34,611,410</u>
\$	<u>(7,050,105)</u>	<u>\$ (2,476,691)</u>	<u>\$ (2,476,691)</u>	<u>\$ (4,136,119)</u>	<u>\$ (7,385,654)</u>	<u>\$ (4,366,080)</u>
\$	4,529,764	\$ 500,000	\$ 500,000	\$ 2,464,452	\$ 2,972,053	\$ 340,000
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	(2,499,764)	-	-	-	-	-
	4,859,443	5,442,840	5,442,840	3,975,745	3,773,941	3,096,834
	(308,950)	(1,050,625)	(1,050,625)	(491,966)	(124,499)	(293,813)
\$	<u>6,580,493</u>	<u>\$ 4,892,215</u>	<u>\$ 4,892,215</u>	<u>\$ 5,948,231</u>	<u>\$ 6,621,495</u>	<u>\$ 3,143,021</u>
\$	<u>(469,612)</u>	<u>\$ 2,415,524</u>	<u>\$ 2,415,524</u>	<u>\$ 1,812,112</u>	<u>\$ (764,159)</u>	<u>\$ (1,223,059)</u>
	<u>5.64%</u>	<u>4.87%</u>	<u>4.70%</u>	<u>11.26%</u>	<u>11.16%</u>	<u>4.88%</u>

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

<b>Fiscal Year</b>	<b>General Property Taxes</b>	<b>Local Sales and Use Taxes</b>	<b>Consumer Utility Taxes</b>	<b>Business License Taxes</b>	<b>Meals Taxes</b>	<b>(Telephone) E-911 Taxes</b>	<b>Other Local Taxes</b>	<b>Total</b>
2010	\$ 9,080,208	\$ 1,759,239	\$ 718,563	\$ 1,676,826	\$ 1,390,907	-	\$ 1,738,173	\$ 16,363,916
2009	9,305,221	2,015,151	735,458	1,849,974	1,430,326	-	1,792,617	\$ 17,128,747
2008	9,252,784	2,054,229	749,579	1,837,209	1,403,131	-	1,803,565	\$ 17,100,497
2007	8,744,282	2,279,517	758,582	1,757,733	1,368,860	267,252	1,428,376	16,604,602
2006	7,642,006	2,145,605	768,590	1,713,541	1,155,170	559,954	1,223,340	15,208,206
2005	7,338,045	2,020,464	769,307	1,750,980	1,119,338	598,640	1,094,081	14,690,855
2004	7,288,727	2,048,135	764,038	1,488,635	1,039,988	587,291	1,184,353	14,401,167
2003	6,754,405	2,108,305	779,646	1,615,629	860,452	565,586	958,319	13,642,342
2002	6,374,432	1,835,109	773,811	1,432,066	856,362	559,492	1,061,505	12,892,777
2001	7,372,892	1,969,909	773,679	1,208,205	845,740	467,106	963,024	13,600,555

# CITY OF MARTINSVILLE, VIRGINIA

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

<b>Fiscal Year(1)</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Public Service Real Estate</b>	<b>Public Service Pers Prop</b>	<b>Total</b>
2010	\$ 693,122,800	\$ 103,067,671	\$ 6,124,366	\$ 23,411,431	\$ 242,044	\$ 825,968,312
2009	645,748,787	113,874,992	6,715,547	22,318,052	*	788,657,378
2008	639,192,692	108,609,168	11,452,777	26,072,969	*	785,327,606
2007	593,669,976	100,582,016	15,146,780	21,340,984	*	730,739,756
2006	588,988,194	98,478,170	12,831,665	25,709,402	*	726,007,431
2005	559,497,600	101,861,411	12,083,426	27,043,443	*	700,485,880
2004	556,169,600	94,124,537	13,754,159	29,719,298	*	693,767,594
2003	531,125,500	89,785,700	13,854,533	27,763,786	*	662,529,519
2002	500,132,200	91,886,053	17,253,822	27,821,178	*	637,093,253
2001	499,376,500	87,362,958	47,211,356	27,313,555	*	661,264,369

(1) 100% fair market value.

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

Source: Commissioner of the Revenue

Table 7

Tax Rates					
Real Estate		Personal Property	Machinery and Tools	Public Service R/E	Public Service P/P
\$	1.08	\$ 2.30	\$ 1.85	\$ 1.08	\$ 2.30
	1.08	2.30	1.85	1.08	*
	1.08	2.30	1.85	1.08	*
	1.08	2.30	1.85	1.08	*
	0.94	2.30	1.85	0.94	*
	0.94	2.30	1.85	0.94	*
	0.94	2.30	1.85	0.94	*
	0.94	1.92	1.85	0.94	*
	0.94	1.92	1.85	0.94	*
	0.94	1.92	1.85	0.94	*

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Principal Taxpayers - Current Year and Five Years Ago  
At June 30, 2010

Taxpayer	Type of Business	Fiscal Year 2010			Fiscal Year 2006		
		Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
PHC - Martinsville Inc.	Hospital	\$ 46,573,424	1	5.64%	\$ 40,766,700	1	5.62%
Liberty Fair Va. LP	Shopping Mall	27,183,700	2	3.29%	25,788,700	2	3.55%
Lester Lumber Co. Inc.	Commercial	16,397,100	3	1.99%	12,938,400	4	1.78%
Central Telephone Company of Va.	Utility	12,896,022	4	1.56%	16,126,532	3	2.22%
Blue Ridge Nursing Center	Medical	9,072,400	5	1.10%	8,511,900	5	1.17%
Commonwealth Blvd. Associates, LLC	Commercial	6,355,000	6	0.77%	4,736,100	6	0.65%
CHS, Inc.	Medical	5,069,000	7	0.61%	2,327,900	n/a	
Daral LLC	Commercial	3,677,900	9	0.45%	2,993,000	8	0.41%
Melrose Properties LLC	Commercial /Industrial	3,551,700	8	0.43%		n/a	
R C Realty Corp.	Commercial	3,421,400	10	0.41%	3,243,500	7	0.45%
Appalachian Power Company	Commercial /Industrial	3,174,548	n/a		2,807,050	10	0.39%
Spruce Village Apartments	Commercial	2,474,800	n/a		2,979,800	9	0.41%

Source - Commissioner of the Revenue  
Information for the tax year 1998 is not available at publication.

**CITY OF MARTINSVILLE, VIRGINIA**Property Tax Levies and Collections  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Total (1) Tax Levy</b>	<b>Current Tax (1), (3) Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent (1) Tax (2) Collections</b>
2010	\$ 9,790,499	\$ 9,082,620	92.77%	\$ 453,976
2009	9,960,763	9,330,615	93.67%	428,157
2008	10,162,566	9,304,630	91.56%	396,634
2007	9,594,029	8,819,854	91.93%	397,090
2006	8,587,588	7,808,647	90.93%	352,969
2005	8,142,346	7,441,799	91.40%	324,579
2004	7,984,936	7,554,156	94.61%	236,605
2003	7,269,766	6,925,121	95.26%	355,301
2002	7,104,697	6,899,049	97.11%	107,345
2001	7,546,250	6,596,153	87.41%	954,232

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

Table 9

<b>Total Tax Collections</b>		<b>Percent of Total Tax Collections to Tax Levy</b>	<b>Outstanding Delinquent Taxes (1)</b>		<b>Percent of Delinquent Taxes to Tax Levy</b>
\$	9,536,596	97.41%	\$	1,463,215	14.95%
	9,758,772	97.97%		1,161,416	11.66%
	9,701,264	95.46%		1,156,795	11.38%
	9,216,944	96.07%		1,042,455	10.87%
	8,161,616	95.04%		934,930	10.89%
	7,766,378	95.38%		782,918	9.62%
	7,790,761	97.57%		751,746	9.41%
	7,280,422	100.15%		729,216	10.03%
	7,006,394	98.62%		845,663	11.90%
	7,550,385	100.05%		923,231	12.23%

**CITY OF MARTINSVILLE, VIRGINIA**

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					
	General Obligation Bonds	General Obligation Notes	State Literary Loans	VP SA Bonds	Capital Leases	Notes Payable
2010	\$ 2,707,900	\$ 340,000	\$ 5,875,000	\$ 1,840,897	\$ 546,422	\$ -
2009	2,923,900	-	6,500,000	1,946,566	851,263	-
2008	3,077,971	-	7,125,000	2,045,332	661,723	-
2007	3,276,703	2,000,000	7,788,525	133,572	407,432	500,000
2006	3,464,764	2,000,000	8,452,050	157,819	647,235	-
2005	3,435,000	-	9,115,575	181,364	980,612	-
2004	3,595,000	-	9,779,100	204,251	798,880	-
2003	3,745,000	-	10,442,625	226,522	997,939	-
2002	3,890,000	-	11,106,150	248,227	737,363	945,000
2001	4,030,000	-	11,769,675	269,423	292,375	978,879

n/a - not available at publication



Table 10

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

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Assessed Value (in thousands) (2)</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net General Obligation Debt to Assessed Value</b>	<b>Net Bonded Debt per Capita</b>
2010	14,543 \$	825,968,312 \$	13,265,997	1.61% \$	912
2009	14,543	788,657,378	14,113,266	1.79%	970
2008	14,543	785,327,606	14,230,903	1.81%	979
2007	14,545	730,739,756	15,774,728	2.16%	1,085
2006	14,687	726,007,431	15,824,714	2.18%	838
2005	14,743	700,485,880	12,731,939	1.82%	893
2004	14,731	693,767,594	13,580,355	1.96%	942
2003	15,024	662,529,519	14,414,147	2.18%	977
2002	15,041	637,093,253	15,244,377	2.39%	1,042
2001	15,277	661,264,369	16,069,098	2.43%	1,064

Sources:

(1) The Weldon Cooper Center for Public Service

(2) From Table 7

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

Computation of Direct and Overlapping Bonded Debt  
At June 30, 2010

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Direct:(1)

City of Martinsville	\$	13,265,997	100%	\$	13,265,997
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The City of Martinsville has no overlapping debt.

Demographic and Economic Statistics  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>City Per Capita Income (2)</b>	<b>School Enrollment (3)</b>	<b>Unemploy- ment Rate (4)</b>	<b>Personal Income In Thousands (5)</b>
2010	14,841	\$ n/a	2,324	20.20%	n/a
2009	14,841	n/a	2,453	21.60%	n/a
2008	14,535	n/a	2,436	11.40%	n/a
2007	14,545	27,427	2,408	8.40%	1,920,040
2006	14,687	26,646	2,526	7.20%	1,872,449
2005	14,743	24,641	2,575	10.10%	1,736,201
2004	14,731	17,251	2,593	12.00%	1,720,635
2003	15,024	17,251	2,673	10.50%	1,725,430
2002	15,041	17,251	2,655	12.50%	1,698,396
2001	15,277	21,447	2,676	7.80%	1,634,176

n/a - not available at publication

Sources:

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

Principal Employers  
Current Year and Ten Years Ago

<u>Fiscal Year 2010</u>			<u>Fiscal Year 2001</u>		
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Memorial Hospital of M'ville	500-999	1	Memorial Hospital of M'ville	500-999	1
Martinsville City Schools	500-999	2	Hooker Furniture Corporation	500-999	2
City of Martinsville	250-499	3	New Roads	500-999	3
Advantage Staffing Resources	250-499	4	Martinsville City Schools	500-999	4
Ameristaff	250-499	5	Nationwide Homes	250-499	5
Piedmont Reg Comm Services	250-499	6	City of Martinsville	250-499	6
GCA Staffing Services Inc	250-499	7	WalMart	250-499	7
ABH Staffing	100-249	8	Ameristaff	250-499	8
Hooker Furniture Corporation	100-249	9	Randstad	250-499	9
Nationwide Homes	100-249	10	Piedmont Reg Comm Services	100-249	10

Source: Virginia Employment Commission

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

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	27	26	28	25	28	28	26	24	24	23
Public safety										
Police department	59	59	58	58	55	57	57	57	57	55
Fire department	29	27	29	29	29	31	31	30	30	29
Public works										
General maintenance	40	37	44	41	43	41	38	43	42	42
Landfill Operation	7	7	6	6	6	0	0	0	0	0
Refuse Collection	6	4	4	4	4	0	4	4	4	4
Engineering	5	5	3	4	4	4	4	4	3	2
Culture and recreation										
Parks and recreation	10	11	10	10	10	10	9	9	9	8
Community development										
Planning	11	10	10	9	7	8	8	6	6	5
Totals	194	186	192	186	186	179	177	177	175	168

Source: Individual city departments

Operating Indicators by Function  
Last Six Fiscal Years

		2005	2006	2007	2008	2009	2010
Police Protection	Number of stations	1	1	1	1	1	1
	Number of police personnel and officers	53	53	52	52	58	56
	Number of law violations:						
	Physical arrests	1,454	2,133	1,562	1,546	1,933	1,332
	Traffic violations	4,403	3,909	3,469	2,882	3,336	2,948
Fire Protection	Number of stations	2	2	2	2	2	2
	Number of fire personnel and officers	29	41	41	39	40	41
	Number of calls answered	1,712	2,448	2,498	2,761	2,642	2,981
	Number of inspections conducted	1,071	122	246	237	2,560	50
Streets	Streets (miles)	16	16	100	100	100	100
	Streetlights	4,027	4,027	4,027	3,300	3,300	3,300
Recreation & Culture	Number of parks and recreation facilities	7	7	7	7	7	13
	Number of libraries	1	1	1	1	1	1
	Number of community centers	1	1	1	1	1	1
Water	Service Connections	7,500	7,500	7,500	7,300	7,300	7,300
	Miles of water mains	120	120	120	120	120	120
	Number of fire hydrants	520	520	548	548	548	548
	Daily average consumption in gallons	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	2.0 MGD	2.0 MGD
	Maximum daily capacity of plant in gallons	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD	10.0 MGD
Sewer	Service Connections	7,000	7,000	7,000	6,800	6,800	6,800
	Miles of sanitary sewers	140	140	140	140	140	140
	Miles of storm sewers	1	1	1	1	1	1
	Number of treatment plants	1	1	1	1	1	1
	Daily average treatment in gallons	4.5 MGD	5.0 MGD	5.0 MGD	5.0 MGD	4.5 MGD	4.5 MGD
	Maximum daily capacity of plant in gallons	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD
Electric Distribution Systems	Miles of service	100	100	100	100	100	100
	Number of distribution systems	1	1	1	1	1	1
Facilities and services not included in the primary government							
	Number of elementary schools	5	2	2	2	2	2
	Number of middle schools	1	1	1	1	1	1
	Number of secondary schools	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
	Number of patient beds	237	220	220	220	220	220

Source: Individual city departments

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

Capital Asset Statistics by Function  
Last Six Fiscal Years

Function	2005	2006	2007	2008	2009	2010
General government						
Administration buildings	4	4	4	4	6	6
Vehicles	11	11	13	15	39	16
Public safety						
Police department:						
Patrol units	24	24	19	23	23	13
Other vehicles	10	10	7	6	10	12
Sheriffs department:						
Patrol units	10	10	11	8	8	8
Other vehicles	11	11	12	10	14	12
Fire department:						
Vehicles	13	13	15	14	14	15
Building inspections:						
Vehicles	3	3	3	2	2	2
Animal control:						
Vehicles	1	1	1	1	1	1
Public works						
General maintenance:						
Trucks/vehicles	43	43	38	39	43	62
Refuse:						
Vehicles	10	10	14	8	9	9
Sites	1	1	1	1	1	1
Culture and recreation						
Parks and recreation:						
Community centers	1	1	1	1	1	1
Vehicles	13	13	14	13	12	7
Playing Fields	9	9	9	9	9	9
Tennis courts	3	3	3	3	3	3
Community development						
Planning:						
Vehicles	1	1	1	1	2	2
Component Unit - School Board						
Education:						
Schools	6	4	4	4	4	5
School buses	33	33	33	35	37	34
Other vehicles	29	29	29	30	30	30

Source: Individual city departments

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



# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

---

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the City of Martinsville, Virginia's basic financial statements and have issued our report thereon dated November 17, 2010. 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.

### **Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

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

We noted certain other matters that we reported to management of City of Martinsville, Virginia in a separate letter dated November 17, 2010.

This report is intended solely for the information and use of management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
November 17, 2010

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## **Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 Independent Auditor's Report**

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

### **Compliance**

We have audited the City of Martinsville, Virginia's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City of Martinsville, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Martinsville, Virginia's management. Our responsibility is to express an opinion on the City of Martinsville, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Martinsville, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Martinsville, Virginia's compliance with those requirements.

In our opinion, the City of Martinsville, Virginia complied, in all material respects, with the 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, 2010.

## **Internal Control Over Compliance**

The management of the City of Martinsville, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Martinsville, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
November 17, 2010

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
<b>PRIMARY GOVERNMENT:</b>			
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	60507-154AL	\$ 30,321
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Direct payments:</u>			
Section 8 Housing choice vouchers	14.871	N/A	\$ 1,969,346
Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation	14.856	N/A	61,318
<u>Pass through payments:</u>			
Department of Housing and Community Development:			
Community development block grant	14.228	53305-50798	207,175
Home investment partnerships program	14.239	N/A	63,950
Total Department of Housing and Community Development			\$ 2,301,789
<u>DEPARTMENT OF LABOR:</u>			
<u>Pass through payments:</u>			
Governor's Employment and Training Department:			
Senior Community Service Employment Program	17.235	N/A	\$ 21,545
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct payments:</u>			
Viper grant	16.000	N/A	\$ 12,693
Asset forfeiture	16.000	N/A	4,930
Public Safety Partnership and Community Policing Grants	16.710	N/A	10,343
Edward Byrne Memorial State and Local Law Enforcement Discretionary Grants Program	16.580	N/A	41,558
<u>Pass through payments:</u>			
Department of Criminal Justice Services:			
Crime victim assistance	16.575	39001-46000	52,258
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	2009-SU-B9-0033	98,401
Total Department of Justice			\$ 220,183
<b>Total Primary Government</b>			\$ 2,573,838
<b>COMPONENT UNIT-SCHOOL BOARD:</b>			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Department of Education:			
Food distribution	10.555	N/A	\$ 72,052
School breakfast program	10.553	17901-40591	238,016
National school lunch program	10.555	17901-40623	680,878
Total Department of Agriculture			\$ 990,946

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2010 (Continued)

<b>Federal Grantor/State Pass - Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Agency Identifying Number</b>	<b>Federal Expenditures</b>
<b>COMPONENT UNIT-SCHOOL BOARD: (Continued)</b>			
<u>DEPARTMENT OF LABOR:</u>			
<u>Direct payments:</u>			
Workforce investment act - youth activities	17.259	N/A	\$ 22,241
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Direct payments:</u>			
Department of Education:			
Adult Education - National Leadership Activities	84.191	N/A	\$ 11,303
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	20,206
<u>Pass through payments:</u>			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 794,193
Title I Grants to Local Educational Agencies, Recovery Act	84.389	17901-42913	284,821
Special Education - Grants to States	84.027	17901-43071	372,011
Special Education - Grants to States, Recovery Act	84.391	17901-61245	181,789
Vocational Education:			
Career and Technical Education - Basic Grants to States	84.048	17901-61095	61,945
Special Education - Preschool Grants	84.173	17901-62521	\$ 6,726
Special Education - Preschool Grants, Recovery Act	84.392	17901-61247	5,577
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	17901-62532	1,201,358
Special Projects:			
Safe and Drug-free schools and communities - State Grants	84.186	17901-60511	175,708
English Language acquisition grants	84.365	17901-60512	14,141
Improving teacher quality state grants	84.367	17901-61480	144,894
Rural Education	84.358	17901-43481	30,204
21st Century Community Learning Centers	84.287	17901-60565	133,136
Education Technology State Grants	84.318	17901-61600	14,573
Education Technology State Grants, Recovery Act	84.386	17901-60897	20,899
Total Department of Education			\$ 3,473,484
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:</u>			
<u>Direct payments:</u>			
Aerospace Education Services Program	43.001	N/A	\$ 10,440
<b>Total Component Unit School Board</b>			\$ 4,497,111
<b>Total Expenditures of Federal Awards</b>			\$ 7,070,949

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, 2010

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#### Note 1 - General

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Martinsville, Virginia under programs of the federal government for the year ended June 30, 2010 . The information in this Schedule is presented in accordance with the reporting requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of operations of the City of Martinsville, Virginia, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Martinsville, Virginia.

#### Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### Note 3 - 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	\$	335,999
Housing Choice Fund		2,030,664
Grants Fund		<u>207,175</u>
Total primary government	\$	<u>2,573,838</u>

Component Unit Public Schools:

School Operating Fund	\$	1,466,225
School Grants Fund		2,039,940
School Cafeteria Fund		<u>990,946</u>
Total component unit public schools	\$	<u>4,497,111</u>

Total federal expenditures per the Schedule of Expenditures  
of Federal Awards

\$ 7,070,949

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## CITY OF MARTINSVILLE, VIRGINIA

### Schedule of Findings and Questioned Costs Year Ended June 30, 2010

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#### Section I - Summary of Auditor's Results

##### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

##### Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance  
for major programs: Unqualified

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
14.871	Housing choice
14.228	Section 8 Housing Choice Vouchers
10.553/10.555	Child Nutrition Cluster
84.010/84.389	Title I, Part A Cluster
84.027/84.173/84.391/84.392	Special Education Cluster (IDEA)
84.394	State fiscal stabilization fund (SFSF) - Education State Grants, Recovery Act

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

Auditee qualified as low-risk auditee? Yes

#### Section II - Financial Statement Findings

There are no financial statement findings to report.

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

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

**CITY OF MARTINSVILLE, VIRGINIA**

Summary Schedule of Prior Year Findings  
Year Ended June 30, 2010

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There are no prior year findings and questioned costs.