

CITY OF MARTINSVILLE, VIRGINIA

MARTINSVILLE REDEVELOPMENT  
AND HOUSING AUTHORITY

HOUSING CHOICE FUND

FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

CITY OF MARTINSVILLE, VIRGINIA  
MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY  
HOUSING CHOICE FUND  
  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

Table of Contents

---

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
<b><u>Basic Financial Statements:</u></b>	
<b>Government-wide Financial Statements:</b>	
Exhibit 1 Statement of Net Position	7
Exhibit 2 Statement of Activities	8
<b>Fund Financial Statements:</b>	
Exhibit 3 Balance Sheet	9
Exhibit 4 Statement of Revenues, Expenditures and Changes in Fund Balance	10
Notes to Financial Statements	11-15
<b><u>Required Supplementary Information:</u></b>	
Exhibit 5 Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual	16
<b><u>Other Supplementary Information:</u></b>	
Management Agent's Certification	17
Auditors' Disclosure Information	18
<b><u>Compliance:</u></b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	21-22
Schedule of Expenditures of Federal Awards	23
Schedule of Findings and Questioned Costs	24

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS OF CITY COUNCIL  
CITY OF MARTINSVILLE  
MARTINSVILLE, VIRGINIA

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia's basic financial statements. The accompanying supplementary information show on pages 17-18 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The 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 not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2015, on our consideration of the Martinsville Redevelopment and Housing Authority, Housing Choice Fund 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia

November 27, 2015

**To the Honorable Members of the City Council  
Martinsville Redevelopment and Housing Authority, Housing Choice Fund**

As management of the Martinsville Redevelopment and Housing Authority, Housing Choice Fund, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2015.

**FINANCIAL HIGHLIGHTS**

**Government-wide Financial Statements**

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$46,616 (net position).

**Fund Financial Statements**

The Housing Choice Fund, on a current financial resource basis, expenditures exceeded revenues by \$342,285 (Exhibit 4).

- As of the close of the current fiscal year; the Authority's funds reported ending fund balances of \$53,123, a decrease of \$342,285 in comparison with the prior year.
- At the end of the current fiscal year, committed fund balance for the Housing Choice Fund was \$53,123 or 3% of total expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components:

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

This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the Authority's (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of the Authority include housing assistance and utilities assistance.

## 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 Martinsville Redevelopment and Housing Authority, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into Housing Choice funds.

Housing Choice funds - Housing Choice funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the Housing Choice fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year.

Notes to the financial statements - The 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 also presents certain required supplementary information for budgetary comparison schedules.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$46,616 at the close of the most recent fiscal year.

Martinsville Redevelopment and Housing Authority			
Net Position at June 30, 2015 and 2014			
	Housing Choice Activities		
	2015	2014	
Current and other assets	\$ 53,448	\$ 1,202,240	
Total assets	\$ 53,448	\$ 1,202,240	
Current liabilities	\$ 325	\$ 382,658	
Current portion of long-term liabilities	651	564	
Long-term liabilities	5,856	345,073	
Total liabilities	\$ 6,832	\$ 728,295	
Net position:			
Unrestricted	\$ 46,616	\$ 473,945	
Total net position	\$ 46,616	\$ 473,945	

During the current fiscal year, the Authority's net position decreased \$427,329.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Housing Choice Activities - Housing Choice activities decreased the Authority's net position \$427,329. Key elements of this increase are as follows:

Martinsville Redevelopment and Housing Authority's Changes in Net Position For the Years Ending June 30, 2015 and 2014		
	<u>Housing Choice Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 1,326,734	\$ 2,108,313
General revenues	573	2,315
Total revenues	<u>\$ 1,327,307</u>	<u>\$ 2,110,628</u>
Expenses:		
Community development	<u>\$ 1,754,636</u>	<u>\$ 1,727,284</u>
Total expenses	<u>\$ 1,754,636</u>	<u>\$ 1,727,284</u>
Change in net position	\$ (427,329)	\$ 383,344
Net position, beginning	<u>473,945</u>	<u>90,601</u>
Net position, ending	<u><u>\$ 46,616</u></u>	<u><u>\$ 473,945</u></u>

## FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

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

Housing Choice Funds - The focus of the Authority's housing choice funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the Authority's financing requirements. In particular, committed fund balance may serve as a useful measure of an Authority's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year the Authority's committed fund balance of \$53,123 represented a decrease of \$342,285 in comparison with the prior year.

## BUDGETARY HIGHLIGHTS

During the year, revenues were less than budgetary estimates by \$617,218. Expenditures were less than budgetary estimates by \$274,858. Total expenditures exceeded total revenues by \$342,285, thus causing a decrease to existing fund balance.

### **LONG-TERM OBLIGATIONS**

The Authority's long-term obligations at June 30, 2015 total \$6,507 and consist of compensated absences.

Additional information on the Authority's long-term obligations can be found in Note 4 of this report.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Martinsville Redevelopment and Housing Authority's finances for all those with an interest in the Authority'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 Director, 55 West Church Street, Martinsville, Virginia 24114.



- Basic Financial Statements -

*Government-wide Financial Statements*

CITY OF MARTINSVILLE  
MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY  
HOUSING CHOICE FUND

Exhibit 1

Statement of Net Position  
At June 30, 2015

---

**ASSETS**

Current Assets:

Cash in bank	\$ 53,448
Total assets	<u>\$ 53,448</u>

**LIABILITIES AND NET POSITION**

Current Liabilities:

Accounts payable	\$ 325
Long-term obligations - current portion	<u>651</u>
Total current liabilities	<u>\$ 976</u>

Noncurrent Liabilities:

Long-term obligations - net of current portion	<u>5,856</u>
Total Liabilities	\$ 6,832

Net Position:

Unrestricted	<u>46,616</u>
Total liabilities and net position	<u>\$ 53,448</u>

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

CITY OF MARTINSVILLE  
MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY  
HOUSING CHOICE FUND

Exhibit 2

Statement of Activities  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Community development	\$ 1,754,636	\$ -	\$ 1,326,734	\$ -	\$ (427,902)
General revenues:					
Revenue from use of money					\$ 170
Miscellaneous					403
Total general revenues					\$ 573
Change in net position					\$ (427,329)
Net position - beginning					473,945
Net position - ending					\$ 46,616

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

- Basic Financial Statements -

*Fund Financial Statements*

CITY OF MARTINSVILLE  
MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY  
HOUSING CHOICE FUND

Exhibit 3

Balance Sheet  
At June 30, 2015

---

**ASSETS**

Current Assets:

Cash in bank	\$ 53,448
Total assets	\$ 53,448

**LIABILITIES AND FUND BALANCE**

Current Liabilities:

Accounts Payable	\$ 325
Total liabilities	\$ 325

Fund Balance:

Committed:

Housing Choice program	53,123
Total liabilities and fund balances	\$ 53,448

Detailed explanation of adjustments from fund statements to government-wide statement of net position:

Total fund balances per exhibit 3 - Balance Sheet - Governmental Funds	\$ 53,123
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds. All liabilities--both current and long-term--are reported in the statement of net position.	(6,507)
Net position of General Government Activities	\$ 46,616

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

CITY OF MARTINSVILLE, VIRGINIA  
MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY  
HOUSING CHOICE FUND

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended June 30, 2015

Revenues:

Revenues from local sources:

Interest	\$	170
Recoveries		403
Total revenue from local sources	\$	<u>573</u>

Intergovernmental:

Federal Government:

Housing choice program	\$	1,291,493
Moderate rehabilitation program		35,241
Total federal government	\$	<u>1,326,734</u>
Total revenues	\$	<u>1,327,307</u>

Expenditures:

Community development:

Administrative	\$	144,432
Housing assistance		1,455,914
Utility assistance		69,246
Total expenditures	\$	<u>1,669,592</u>
Changes in fund balance	\$	<u>(342,285)</u>

Fund balance, beginning of year		<u>395,408</u>
---------------------------------	--	----------------

Fund balance, end of year	\$	<u><u>53,123</u></u>
---------------------------	----	----------------------

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$	(342,285)
--	----	-----------

The net effect of various miscellaneous transactions involving assets held for resale (i.e. sand donations) is to decrease net position		(424,174)
---	--	-----------

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 position. Also, governmental funds report the effect of premiums, discounts, similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal retired on general obligation note		340,000
Change in compensated absences		(870)
Change in net position of governmental activities	\$	<u><u>(427,329)</u></u>

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

**MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY**  
**HOUSING CHOICE FUND**

Notes to Financial Statements  
As of June 30, 2015

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Financial Reporting Entity:**

These financial statements present only the Housing Choice Fund of the City of Martinsville, Virginia and are not intended to present fairly the financial position of the City of Martinsville, and the change in financial position. The Martinsville Redevelopment and Housing Authority's Housing Choice Fund is included in the basic financial statements of the City for the year ended June 30, 2015 as a blended component unit Special Revenue Fund.

The financial statements of the City of Martinsville, Virginia, Housing Choice Fund, 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 of America as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

**Government-wide and Fund Financial Statements:**

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

Statement of Net Position - The Statement of Net Position is designed to display financial position of the Housing Choice Fund.

Statement of Activities - The Housing Choice Fund statement of activities reports expenses and revenues in a format that focuses on the cost. The expenses of the fund are 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.

Fund financial statements - Separate financial statements are provided for governmental funds.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the grantor have been met.

MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY  
HOUSING CHOICE FUND

Notes to Financial Statements  
As of June 30, 2015 (continued)

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation: (continued)

The Statement of Activities reflects both the gross and net cost per functional category. 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.

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 Authority. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The special revenue fund is the only major fund and accounts for and reports the proceeds of specific revenue sources that are restricted or committed for specified purposes other than debt service or capital projects. The special revenue fund consists of the Housing Choice Fund.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

Intergovernmental revenues, consisting primarily of federal grants for the purpose of funding specific expenditures, are recognized when earned or at the time of other specific expenditures. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

Use of Estimates:

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from these estimates.

Fund Equity:

The Authority reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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



MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY  
HOUSING CHOICE FUND

Notes to Financial Statements  
As of June 30, 2015 (continued)

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Fund Equity: (continued)**

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

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

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

**Net Position:**

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

**Net Flow Assumption:**

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

**Deferred Outflows/Inflows of Resources:**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any deferred outflows of resources as of June 30, 2015.

MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY  
HOUSING CHOICE FUND

Notes to Financial Statements  
As of June 30, 2015 (continued)

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

Deferred Outflows/Inflows of Resources: (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2015.

**NOTE 2 - CASH:**

Deposits:

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

**NOTE 3 - COMMITMENTS AND CONTINGENCIES:**

Federal programs in which the Authority participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-128, *Audits of States and Local Governments*. 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 4 - LONG-TERM OBLIGATIONS:**

The following is a summary of long-term obligations transactions of the Authority for the year ended June 30, 2015:

	Balance at July 1, 2014	Issuances / Increases	Retirements / Decreases	Balance at June 30, 2015	Amounts Due Within One Year
Compensated absences	\$ 5,637	\$ 870	\$ -	\$ 6,507	\$ 651
Note payable	340,000	-	340,000	-	-
Total long-term obligations	\$ 345,637	\$ 870	\$ 340,000	\$ 6,507	\$ 651

MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY  
HOUSING CHOICE FUND

Notes to Financial Statements  
As of June 30, 2015 (continued)

---

**NOTE 5 - COMPENSATED ABSENCES:**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to received 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. At June 30, 2015 the liability for compensated absences totals \$6,507.

**NOTE 6 - RISK MANAGEMENT:**

Martinsville Redevelopment and Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority reports all of its risk management activities and pays all claims for retained risks from the Authority's financial resources. For all retained risks, claims expense and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are not discounted. The Authority contracts with a private carrier for a significant portion of its property and liability risks.

As of and for the year ended June 30, 2015, the Authority had not incurred or paid claims, and no claims were outstanding at the beginning or end of the year. There have been no claims paid in excess of insurance coverages in the past three years.

**NOTE 7 - LITIGATION:**

At June 30, 2015, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

**NOTE 8 - FISCAL AGENT:**

All accounting, purchasing, and related record keeping activities for the Housing Choice Fund are maintained by the City of Martinsville as fiscal agent. All disbursements are authorized by the City of Martinsville. For fiscal year ending June 30, 2016, the City of Danville will become the fiscal agent.

- Required Supplementary Information -

CITY OF MARTINSVILLE, VIRGINIA  
MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY  
HOUSING CHOICE FUND

Exhibit 5

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2015

	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Revenues:				
Revenues from local sources:				
Interest	\$ 225	\$ 225	\$ 170	\$ (55)
Miscellaneous	3,000	3,000	403	(2,597)
Recovered costs	300	300	-	(300)
Total revenue from local sources	<u>\$ 3,525</u>	<u>\$ 3,525</u>	<u>\$ 573</u>	<u>\$ (2,952)</u>
Intergovernmental:				
Federal Government:				
Housing choice program	\$ 1,891,000	\$ 1,891,000	\$ 1,291,493	\$ (599,507)
Moderate rehabilitation Program	50,000	50,000	35,241	(14,759)
Total federal government	<u>\$ 1,941,000</u>	<u>\$ 1,941,000</u>	<u>\$ 1,326,734</u>	<u>\$ (614,266)</u>
Total revenues	<u>\$ 1,944,525</u>	<u>\$ 1,944,525</u>	<u>\$ 1,327,307</u>	<u>\$ (617,218)</u>
Expenditures:				
Community development:				
Administrative:				
Salaries	\$ 102,949	\$ 102,949	\$ 84,828	\$ 18,121
Audit fees	7,300	7,300	7,300	-
Management consulting	950	950	-	950
Employee benefits	32,489	32,489	30,279	2,210
Other operating expenses	35,762	35,762	22,025	13,737
Total administrative	<u>\$ 179,450</u>	<u>\$ 179,450</u>	<u>\$ 144,432</u>	<u>\$ 35,018</u>
Housing assistance:				
Housing choice voucher program	\$ 1,563,000	\$ 1,563,000	\$ 1,343,627	\$ 219,373
Moderate rehabilitation program	46,000	46,000	56,607	(10,607)
Portability	50,000	50,000	55,680	(5,680)
Total housing assistance	<u>\$ 1,659,000</u>	<u>\$ 1,659,000</u>	<u>\$ 1,455,914</u>	<u>\$ 203,086</u>
Utility assistance:				
Moderate rehabilitation program	\$ 4,000	\$ 4,000	\$ 3,550	\$ 450
UAP Program	100,000	100,000	62,932	37,068
Portability	2,000	2,000	2,764	(764)
Total utility assistance	<u>\$ 106,000</u>	<u>\$ 106,000</u>	<u>\$ 69,246</u>	<u>\$ 36,754</u>
Total expenditures	<u>\$ 1,944,450</u>	<u>\$ 1,944,450</u>	<u>\$ 1,669,592</u>	<u>\$ 274,858</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 75</u>	<u>\$ 75</u>	<u>\$ (342,285)</u>	<u>\$ (342,360)</u>
Fund balance, beginning of year	<u>(75)</u>	<u>(75)</u>	<u>395,408</u>	<u>395,483</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,123</u>	<u>\$ 53,123</u>

- Other Supplementary Information -

CITY OF MARTINSVILLE, VIRGINIA  
MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY  
HOUSING CHOICE FUND

Management Agent's Certification  
June 30, 2015

---

We hereby certify that we have examined the accompanying financial statements and supplemental data as of and for the year ended June 30, 2015 of Martinsville Redevelopment and Housing Authority, Housing Choice Fund and, to the best of our knowledge and belief, the same is complete and accurate.

By: \_\_\_\_\_

Title: Finance Director

Date: \_\_\_\_\_

CITY OF MARTINSVILLE, VIRGINIA  
MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY  
HOUSING CHOICE FUND

Management Agent's Certification  
June 30, 2015

---

Auditor: Robinson, Farmer, Cox Associates, LLC  
530 Westfield Road  
Charlottesville, Virginia 22901  
P.O. Box 6580  
Charlottesville, Virginia 22906

EIN: 54-1896113

Telephone: (434) 973-8314

Fax: (434) 974-7363

Auditor Contact: David L. Hughes, CPA



- Compliance -

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

---

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

---

TO THE HONORABLE MEMBERS OF CITY COUNCIL  
CITY OF MARTINSVILLE  
MARTINSVILLE, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and the major fund of the Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia's basic financial statements, and have issued our report dated November 27, 2015.

### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Martinsville Redevelopment and Housing Authority, Housing Choice Fund of 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*.

### Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
November 27, 2015

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

TO THE HONORABLE MEMBERS OF CITY COUNCIL  
CITY OF MARTINSVILLE  
MARTINSVILLE, VIRGINIA

### Report on Compliance for Each Major Federal Program

We have audited the Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia's major federal programs for the year ended June 30, 2015. The Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Martinsville Redevelopment and Housing Authority, Housing Choice Fund of 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia's compliance.

## *Opinion on Each Major Federal Program*

In our opinion, the Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## *Report on Internal Control over Compliance*

Management of the Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
November 27, 2015

CITY OF MARTINSVILLE  
MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY  
HOUSING CHOICE FUND

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-Through Agency Identifying Number	Expenditures
Department of Housing and Urban Development:			
Direct payments:			
Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation	14.856	N/A	\$ 35,241
Section 8 Housing Choice Vouchers	14.871	N/A	1,291,493
Total Department of Housing and Urban Development			\$ 1,326,734
Total Expenditures of Federal Awards			\$ 1,326,734

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Martinsville Redevelopment and Housing Authority, Housing Choice Fund of the City of Martinsville, Virginia (the Authority) under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported in 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.

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

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Authority's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

Housing choice fund \$ 1,326,734

Total \$ 1,326,734

Total federal expenditures per the Schedule of Expenditures  
of Federal Awards

\$ 1,326,734

CITY OF MARTINSVILLE  
MARTINSVILLE REDEVELOPMENT AND HOUSING AUTHORITY  
HOUSING CHOICE FUND

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

---

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

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	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 auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers

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.

**Section IV - Prior Year Findings**

There are no prior year findings to report.