

Martinsville, Virginia
A CITY WITHOUT LIMITS



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2013

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

PREPARED BY:

Finance Department

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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CITY OF MARTINSVILLE, VIRGINIA

City Council

Kim Adkins, Mayor
M. Gene Teague, Vice-Mayor

Sharon B. Hodge

Mark C. Stroud, Sr.

Danny Turner

School Board

Bill R. Manning, Chairman
Robert Williams, Vice-Chairman

Craig B. Dietrich

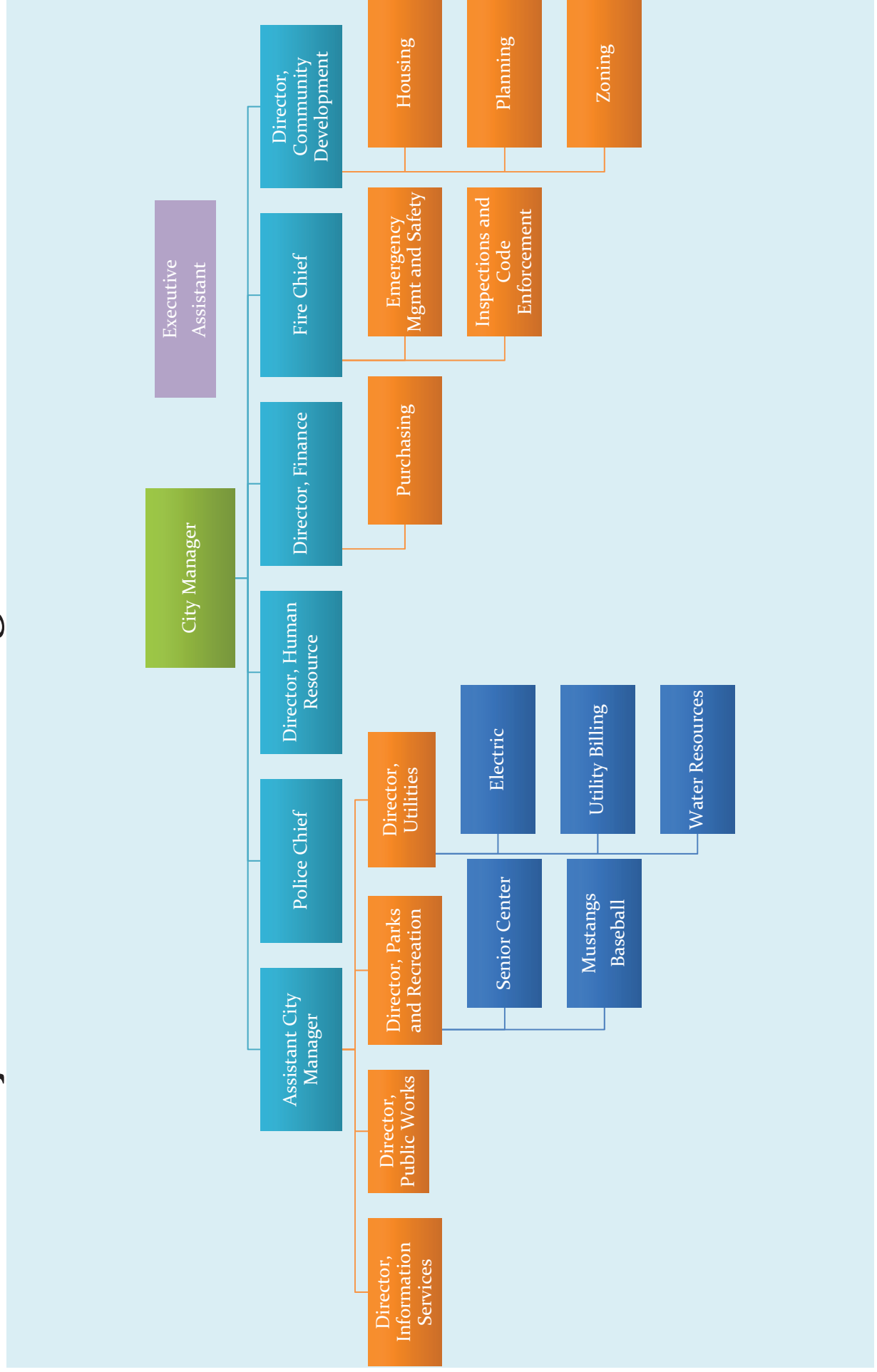
Carolyn McGraw

Rev. James C. Richardson, Jr.

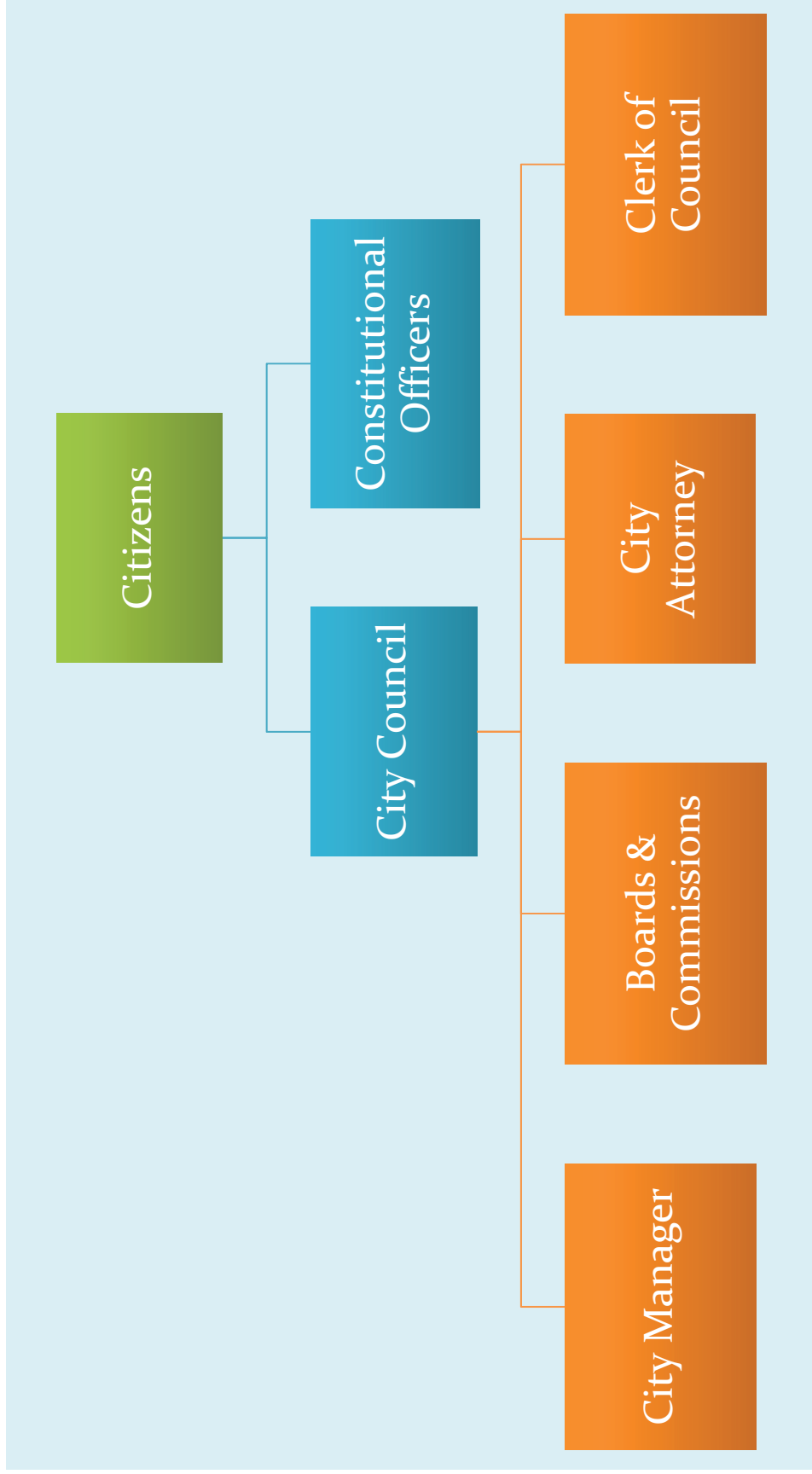
Other Officials

City Manager	Leon E. Towarnicki
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.....	Pamela V. Heath
Clerk of the School Board.....	Lynda W. Pulliam
Director of Finance	Linda H. Conover
Sheriff.....	Steve M. Draper
Commonwealth's Attorney.....	Joan Ziglar
Public Works Department Director	Jeff Joyce
Utilities Director.....	Dennis Bowles
Purchasing Agent	Karen H. Mays
Fire Chief	Kenneth Draper

City of Martinsville Organizational Chart



City of Martinsville Organizational Chart



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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Martinsville, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 18 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15-27, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Martinsville, Virginia's basic financial statements. The introductory section, other supplementary information and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.

Other Information (continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013, 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 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 City of Martinsville, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 9, 2013

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Management's Discussion and Analysis

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, 2013. 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 \$45,516,637 (total net position). Of this amount \$19,733,216 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The Governmental activities net position was \$17,380,987 of the City's total, an increase of \$1,308,140 or 8.14% in comparison with net position of \$16,072,847 at June 30, 2012.
- Net position of the City's various business type activities totaled \$28,135,650. This is an increase of \$3,065,645 or 12.23% compared with net position of \$25,070,005 reported on June 30, 2012.
- The School Board's assets exceeded its liabilities by \$8,631,995, an increase of \$271,337 when compared to the amount on June 30, 2012. However, \$7,801,753 of this amount reflects the School Board's net investment in capital assets leaving \$830,242 in unrestricted net position available to meet ongoing obligations. This is a decrease of \$74,931 or 9.92% in the School Board's unrestricted net position for the fiscal year.

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources deficient of expenditures and other financing uses by \$8,111,790 (Exhibit 4) after making direct contributions totaling \$5,122,127 to the School Board. An additional \$1,525,123 was expended from the Meals Tax Fund used to retire School related debt. A total of \$6,647,250 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 \$9,719,002, which is a decrease of \$8,111,790 in comparison with the prior fiscal year.
- At the close of the current fiscal year, the unassigned fund balance for the General Fund was \$4,532,181 or 14.9% of total general fund expenditures.
- The combined long-term Governmental obligations decreased \$678,174 or 3.38% 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 Position and (2) The Statement of Activities.

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

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

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

1. Governmental Activities – Most of the City's basic services are reported in this column to include: Police, Fire, Courts, Recreation, Social Services, Economic Development, Community Development, 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 is 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 position may serve as a useful indicator of a City's financial position over time. For the City in FY2013, (1) assets and deferred outflows of resources exceeded (2) liabilities and deferred inflows of resources by \$45,516,637 at the close of the fiscal year as presented in the Table below. This was an increase of \$4,373,785 or 10.63% over the FY2012 closing amount of \$41,142,852.

City of Martinsville, Virginia
Schedule of Assets, Liabilities and Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 15,311,274	\$ 22,294,975	\$ 15,519,935	\$ 13,296,317	\$ 30,831,209	\$ 35,591,292
Capital assets	<u>24,597,364</u>	<u>15,855,964</u>	<u>19,213,720</u>	<u>18,752,897</u>	<u>43,811,084</u>	<u>34,608,861</u>
Total assets	<u>\$ 39,908,638</u>	<u>\$ 38,150,939</u>	<u>\$ 34,733,655</u>	<u>\$ 32,049,214</u>	<u>\$ 74,642,293</u>	<u>\$ 70,200,153</u>
Long-term liabilities outstanding	\$ 18,181,055	\$ 18,885,160	\$ 5,461,777	\$ 5,738,490	\$ 23,642,832	\$ 24,623,650
Current liabilities	4,304,945	3,192,932	1,136,228	1,240,719	5,441,173	4,433,651
Deferred inflows of resources	<u>41,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,651</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>\$ 22,527,651</u>	<u>\$ 22,078,092</u>	<u>\$ 6,598,005</u>	<u>\$ 6,979,209</u>	<u>\$ 29,125,656</u>	<u>\$ 29,057,301</u>
Net position:						
Net investment in capital assets	\$ 8,114,801	\$ 5,239,010	\$ 17,668,620	\$ 17,011,598	\$ 25,783,421	\$ 22,250,608
Unrestricted	<u>9,266,186</u>	<u>10,833,837</u>	<u>10,467,030</u>	<u>8,058,407</u>	<u>19,733,216</u>	<u>18,892,244</u>
Total net position	<u>\$ 17,380,987</u>	<u>\$ 16,072,847</u>	<u>\$ 28,135,650</u>	<u>\$ 25,070,005</u>	<u>\$ 45,516,637</u>	<u>\$ 41,142,852</u>

At the end of FY2013, the City's net investment in capital assets is \$25,783,421 and represents 56.65% of total net position. These capital assets are used to deliver services to City residents and business; and accordingly, these assets are not available for future spending. Although the important and needed investment in capital assets is reported as net investment in capital assets, it should be noted that the resources needed to repay such debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current Fiscal Year, the City's Governmental Activities net investment in capital assets is \$8,114,801.

Restricted Assets represent resources subject to external restrictions on how they may be used. At June 30, 2013, the City had \$2,274,054 of restricted cash and cash equivalents related to unspent bond proceeds being held for future capital improvements. The remaining balance of unrestricted net position in the amount of \$19,733,216, or 43.36% of total net position, may be used to meet the government's ongoing obligations.

Government-wide Financial Analysis (Continued)

Governmental Activities - Governmental activities increased Martinsville City's net position by \$1,308,140. The key elements of this increase are found in exhibit 5.

**City of Martinsville, Virginia
Changes in Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2013 and 2012**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,104,694	\$ 1,167,737	\$ 25,478,071	\$ 25,828,934	\$ 26,582,765	\$ 26,996,671
Operating grants and contributions	9,115,205	9,966,207	-	-	9,115,205	9,966,207
Capital grants and contributions	2,051,086	-	-	1,878,298	2,051,086	1,878,298
General revenues:						
General property taxes	8,815,665	8,667,298	-	-	8,815,665	8,667,298
Other local taxes	6,680,403	6,621,038	-	-	6,680,403	6,621,038
Commonwealth non-categorical aid	1,642,941	1,631,430	-	-	1,642,941	1,631,430
Other general revenues	947,989	1,236,088	26,213	30,599	974,202	1,266,687
Total revenues	<u>\$ 30,357,983</u>	<u>\$ 29,289,798</u>	<u>\$ 25,504,284</u>	<u>\$ 27,737,831</u>	<u>\$ 55,862,267</u>	<u>\$ 57,027,629</u>
Expenses:						
General government administration	\$ 3,632,201	\$ 3,637,285	\$ -	\$ -	\$ 3,632,201	\$ 3,637,285
Judicial administration	1,981,577	1,918,028	-	-	1,981,577	1,918,028
Public safety	9,393,253	9,228,325	-	-	9,393,253	9,228,325
Public works	4,957,877	4,011,222	-	-	4,957,877	4,011,222
Health and welfare	748,961	563,668	-	-	748,961	563,668
Education	5,800,158	3,525,833	-	-	5,800,158	3,525,833
Parks, recreation, and cultural	1,085,674	1,254,795	-	-	1,085,674	1,254,795
Community development	3,705,549	3,498,547	-	-	3,705,549	3,498,547
Interest on long-term debt	488,284	395,761	-	-	488,284	395,761
Electric	-	-	13,609,901	14,987,140	13,609,901	14,987,140
Water	-	-	1,756,400	1,713,386	1,756,400	1,713,386
Sewer	-	-	2,762,385	2,712,919	2,762,385	2,712,919
Refuse collection/landfill	-	-	1,566,262	1,262,415	1,566,262	1,262,415
Total expenses	<u>\$ 31,793,534</u>	<u>\$ 28,033,464</u>	<u>\$ 19,694,948</u>	<u>\$ 20,675,860</u>	<u>\$ 51,488,482</u>	<u>\$ 48,709,324</u>
Change in net position before transfers	\$ (1,435,551)	\$ 1,256,334	\$ 5,809,336	\$ 7,061,971	\$ 4,373,785	\$ 8,318,305
Transfers	2,743,691	4,011,638	(2,743,691)	(4,011,638)	-	-
Change in net position	\$ 1,308,140	\$ 5,267,972	\$ 3,065,645	\$ 3,050,333	\$ 4,373,785	\$ 8,318,305
Net position - beginning	16,072,847	10,804,875	25,070,005	22,019,672	41,142,852	32,824,547
Net position - ending	<u>\$ 17,380,987</u>	<u>\$ 16,072,847</u>	<u>\$ 28,135,650</u>	<u>\$ 25,070,005</u>	<u>\$ 45,516,637</u>	<u>\$ 41,142,852</u>

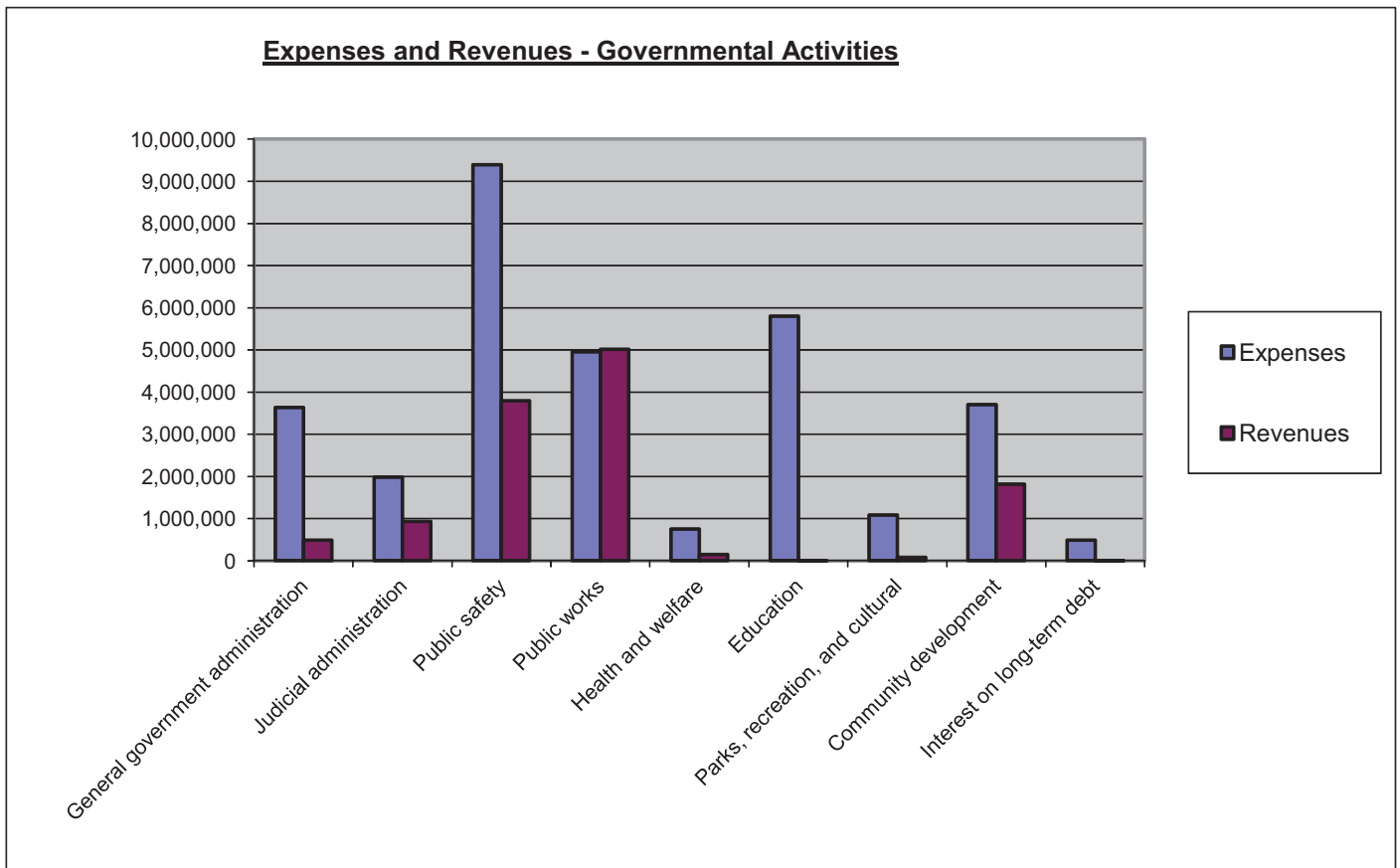
Government-wide Financial Analysis (Continued)

Revenues from governmental activities totaled \$33,101,674 with operating grants and contributions (27.5%), general property taxes (26.6%), and other local taxes (20.2%) comprising 74.3% of the City's revenues. Expenses for public safety (29.5%), education (18.3%), public works (15.6%), community development (11.6%), and general government administration (11.4%), account for 86.4% of total governmental expenses of \$31,793,534.

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.

General government administration
Judicial administration
Public safety
Public works
Health and welfare
Education
Parks, recreation, and cultural
Community development
Interest on long-term debt

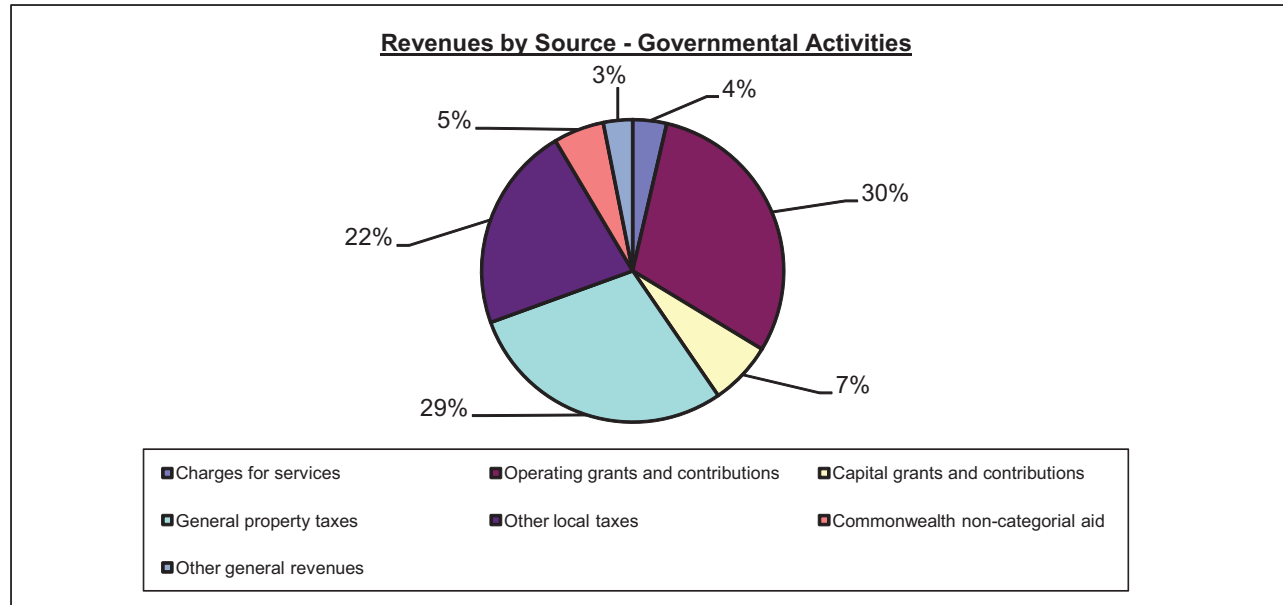
Expenses	Revenues
\$ 3,632,201	\$ 485,786
1,981,577	936,795
9,393,253	3,792,480
4,957,877	5,012,345
748,961	146,616
5,800,158	-
1,085,674	80,492
3,705,549	1,816,471
488,284	-



Government-wide Financial Analysis (Continued)

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

Charges for services	\$ 1,104,694
Operating grants and contributions	9,115,205
Capital grants and contributions	2,051,086
General property taxes	8,815,665
Other local taxes	6,680,403
Commonwealth non-categorical aid	1,642,941
Other general revenues	947,989



Business-type Activities increased the City's net position by \$3,065,645 after deducting \$2,743,691 in transfers to the General and Capital Reserve Funds. Transfers decreased \$1,267,947 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 \$9,719,002, a decrease of \$8,111,790 when compared to the prior year. Forty percent (\$3,939,302) of the combined governmental fund balance is unassigned. The remaining sixty percent (\$5,779,700) of the nonspendable, committed or assigned fund balance to show it is not available for spending because it has been nonspendable, committed or assigned for future projects.

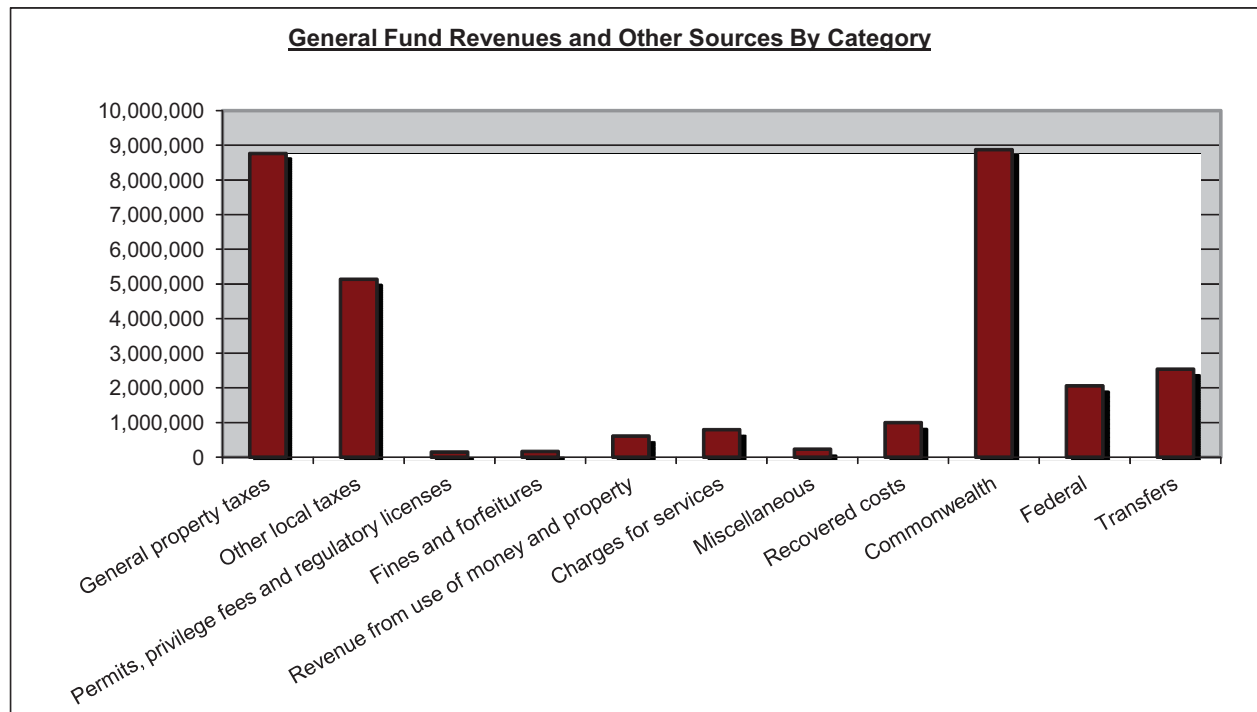
Financial Analysis of the City's Funds (Continued)

The General Fund is the operating fund of the City. The General Fund reports a fund balance at June 30, 2013 of \$7,299,187. This is a decrease from the prior year of \$145,098. The General Fund expenditures exceeded revenues in the current year by \$2,679,414; whereas the revenues exceeded expenditures in FY12 by \$691,460. The transfer amounts into the General Fund of \$2,534,316 decreased by \$1,017,634 compared to FY12. During FY13, 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. Almost sixty-three percent or \$4,532,181 of the total fund balance is unassigned, a decrease compared to \$4,734,167 of unassigned fund balance from June 30, 2012. As a measure of the General Funds liquidity it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 14.9% of total General Fund expenditures, while total fund balance is 23.7% 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 \$30,287,156, including transfers into the fund of \$2,534,316.

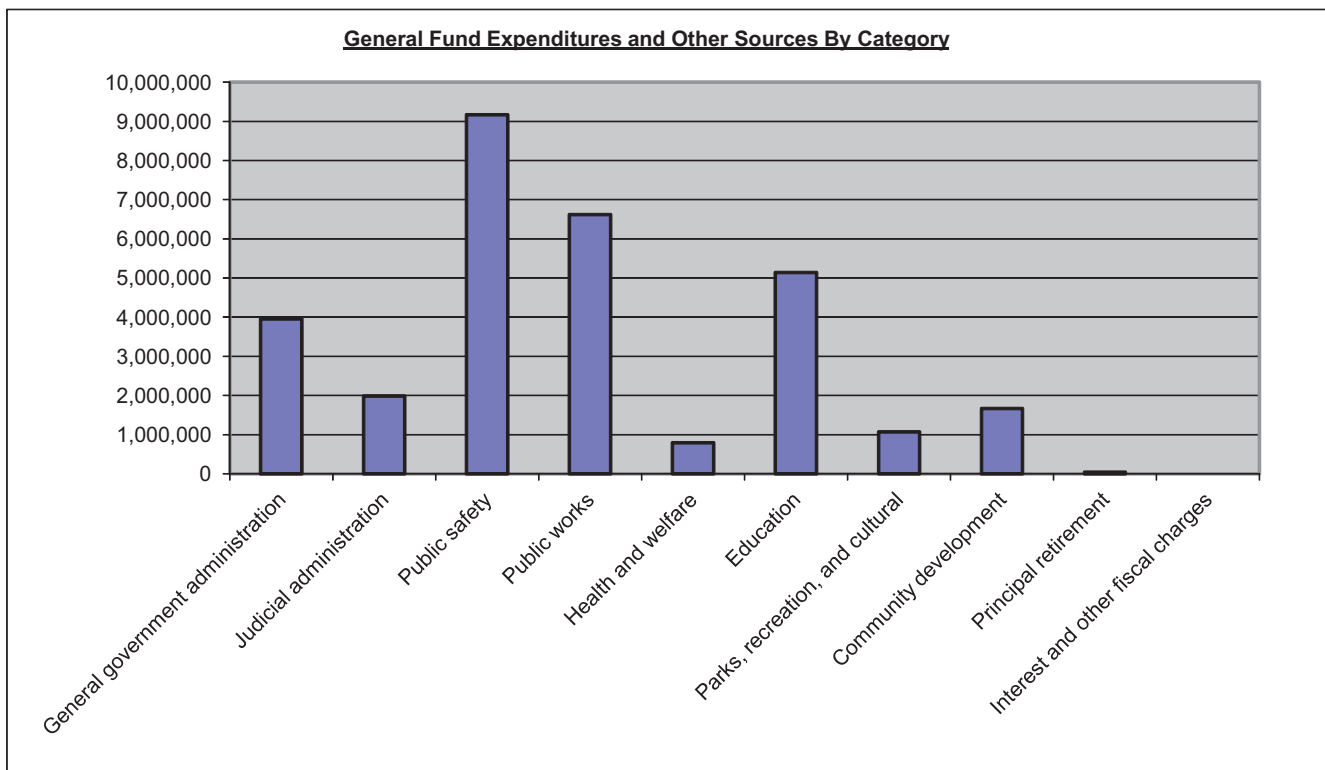
General property taxes	\$	8,760,993
Other local taxes		5,128,371
Permits, privilege fees and regulatory licenses		145,833
Fines and forfeitures		164,533
Revenue from use of money and property		608,808
Charges for services		794,328
Miscellaneous		226,835
Recovered costs		991,218
Commonwealth		8,870,660
Federal		2,061,261
Transfers		2,534,316



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 \$30,432,254.

General government administration	\$	3,956,860
Judicial administration		1,983,255
Public safety		9,165,056
Public works		6,622,533
Health and welfare		792,657
Education		5,139,847
Parks, recreation, and cultural		1,068,617
Community development		1,665,024
Principal retirement		38,405
Interest and other fiscal charges		-



Proprietary funds – reported combined ending net position of \$28,135,650 an increase of \$3,065,645 in comparison with the amount reported on June 30, 2012. The Electric Fund increased \$2,204,299; the Refuse Fund increased \$173,035; the Water Fund increased \$365,371; and the Sewer Fund increased \$322,940.

The Enterprise Funds contributed \$2,743,691 in the support of other City operations. Of that amount \$2,534,316 or 92.37% was transferred to the General Fund. The remaining \$209,375 or 7.63% 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 \$2,666,704 or 10.41%, while expenditures increased by \$3,754,246 or 12.97%.

The Revenue increases were as follows:

- \$304 in Fines & Forfeitures
- \$7,890 in Use of Money & Property
- \$2,952 in Miscellaneous Revenue
- \$143,204 in Recovered Costs
- \$241,020 in Intergovernmental revenues from the Commonwealth
- \$2,271,334 in Intergovernmental revenues from the Federal Government

The Expenditure amendments were as follows:

- \$98,024 in General government administration
- \$48,251 in Judicial administration
- \$247,180 in Public Safety
- \$6,059 in Health & Welfare
- \$2,758,390 in Public Works
- \$20,734 in Parks, Recreation, and Cultural
- \$575,608 in Community development

During the year, actual revenues were less than budgeted by \$549,516 or 1.95%; actual expenditures were less than the budget by \$2,281,787 or 6.98%. The result was a positive variance of \$1,732,271 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, 2013, is \$43,811,084 (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 FY2013 were: patrol cars; truck; garbage truck; EMS equipment; fire engine; new computer equipment; upgrade and extension of fiber optic communications network; and continuing City Hall renovations.

City of Martinsville, Virginia's Capital Assets June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 4,379,094	\$ 4,379,094	\$ 683,624	\$ 683,624	\$ 5,062,718	\$ 5,062,718
Construction in progress	9,995,340	1,879,162	16,950	-	10,012,290	1,879,162
Buildings and improvements	12,536,461	11,769,362	6,213,325	6,016,135	18,749,786	17,785,497
Infrastructure	30,533,944	30,533,944	55,629,836	54,536,290	86,163,780	85,070,234
Equipment	8,095,562	7,704,316	7,671,402	7,471,698	15,766,964	15,176,014
Total	\$ 65,540,401	\$ 56,265,878	\$ 70,215,137	\$ 68,707,747	\$ 135,755,538	\$ 124,973,625
Less: accumulated depreciation	40,943,037	40,409,914	51,001,417	49,954,850	91,944,454	90,364,764
Net capital assets	<u>\$ 24,597,364</u>	<u>\$ 15,855,964</u>	<u>\$ 19,213,720</u>	<u>\$ 18,752,897</u>	<u>\$ 43,811,084</u>	<u>\$ 34,608,861</u>

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

Capital Asset and Debt Administration (Continued)

Long-term debt – At the close of FY2013, Martinsville City had total outstanding obligations of \$25,317,506. Of this amount, \$20,236,317 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 \$1,135,650 or 4.3%. The City's obligations decreased \$1,902,533. \$460,000 in 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, 2013 the City's ratio of Net General Obligation Debt to Assessed Value was 2.6%. 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 FY2013 Budgets and Tax Rates

The FY13 budget continued the strategy of streamlining expenses, funding essential capital expenditures, reviewing personnel reductions through attrition wherever possible, and evaluating all vacancies on a case-by-case basis. The budget also included two rate/fee adjustments – one was equalization (increase) in the real estate tax rate from \$1.01816 to \$1.0621 per \$100 in assessed value. The most recent reassessment resulted in a general decrease in assessed property values and in an effort to keep real estate tax revenue neutral, or essentially the same as prior to reassessment, the rate was adjusted. The other was an increase in refuse collection fees to help cover increasing costs related to disposal, equipment replacement, and maintenance of the City's closed landfill.

In FY13, the Commonwealth of Virginia continued the reduction in aid-to-localities that occurred in FY09, FY10, FY11, and FY12. The sum of such budgetary adjustments over these budget years has totaled almost \$1 million in various categories including HB 599 Funds (state aid for localities with police departments) and reduced funding for constitutional offices.

Looking Ahead – The Outlook for FY2014 - Opportunities and Challenges

The City faces opportunities and challenges in FY14, including the following issues:

1. **Continued high levels of unemployment** – Martinsville continues to consistently have one of the highest unemployment rates in the state - the unemployment rate for the City on June 30, 2013 was 13.9%. While this was a decrease of 2.8% from the previous year's rate of 14.3%, the City's unemployment rates still compares unfavorably to the state's average unemployment rate of 6% and the national average of 7.8% for the same time. While the need for jobs for a wide ranging level of skills continues to be an issue, a growing concern is an inadequately prepared workforce for emerging advanced manufacturing jobs.
2. **Reductions in state aid** – Fortunately in FY14, the Commonwealth of Virginia discontinued the reduction in aid-to-localities that occurred in FY09 through FY13. The sum of the City's budgetary reductions over this five year period will total \$924,678.

Looking Ahead – The Outlook for FY2014 - Opportunities and Challenges (Continued)

3. **Personnel Costs** – FY13 marked the 5th consecutive year the City's budget did not provide a general cost of living pay increase for employees. Recognizing this cannot continue indefinitely, City Council approved a 3% COLA for employees in FY14. Additionally, in FY14 and beyond, the rising cost of employee health care coupled with state required increases in Virginia Retirement System contributions will place an additional burden on an already-stretched budget.
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 minimizing increases in taxes and fees and the continuation of offering the same levels of service that citizens are accustomed to receiving. 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.
5. **Exploration of new revenue opportunities** – With direction from City Council, in FY14 staff will continue to explore opportunities for revenue growth. One project being investigated that shows considerable promise is continued expansion/growth of the City's fiber optic system. In early 2013, City staff worked with a consultant on developing a business plan to help guide system growth. Since that time, options are being explored to extend service to business/industrial clients that could prove significant in retaining current businesses as well as attracting new business opportunities. Expansion opportunities are generally considered on a case by case basis in regard to the investment required, ROI/pay back, and the ability of City staff to provide the highest level of customer support.
6. **Exploration of opportunities to reduce costs/outsource** – City staff continues to investigate options for outsourcing certain governmental functions/operations in areas where service can be provided at least as good if not better by the private sector, at less cost than providing the same service internally.
7. **Uptown Revitalization Projects** –In May of 2013, New College Institute began construction on an approximate \$15 million building project on the Baldwin Block located in uptown Martinsville. The building will house an advanced manufacturing lab, various New College and Economic Development Corporation offices, and a "great hall" that will provide state-of-the-art meeting space not currently available in our community. The project is expected to fuel continued growth of NCI, bolstered by a renewed collaborative effort with Patrick Henry Community College.

Dr. Noel Boaz continues to make progress regarding plans for development of a new medical school – The Integrative Centers for Science and Medicine – College of Henricopolis School of Medicine, with initial plans to use an existing building located at the corner of Moss and Fayette Streets, and eventual plans to expand to other sites.

During 2013, the City agreed to partner with a Petersburg, Virginia development firm – Waukeshaw Development Corp. with plans to redevelop the Henry Hotel. Purchased in 2009 by the City, the four-story Henry Hotel is located in uptown Martinsville and could potentially house a combination of commercial space on the first floor, and market-rate apartments on floors 2 through 4. In late 2013, the City was awarded a \$600,000 Industrial Revitalization Fund grant from DHCD for the project, and the developer has plans to begin construction during the second quarter of calendar 2014. Redevelopment of the hotel parallels renewed interest in business growth in uptown Martinsville that over time, should generate additional employment opportunities and potential tax revenue.

Looking Ahead – The Outlook for FY2014 - Opportunities and Challenges (Continued)

8. **Energy Efficiency Grants**—In FY10, the City received two federal grants aimed at decreasing energy expense – one for \$400,000 for the purchase of equipment/enhancements to lighting, heating/cooling, etc. within City government buildings, and also a grant for \$506,681 to renovate turbines and generating equipment at the City's hydroelectric facility that will improve plant efficiency as well as to automate the plant for 24/7 operation. The energy project has resulted in a reduction of the City's electric costs in buildings and the soon-to-be-completed hydro project is expected to yield an approximate 6% increase in the efficiency of hydro-electricity generation.
9. **Job Creation**—The City continues to partner with Henry County in economic development. Going into FY14, efforts will continue to retain current business and industry, provide an atmosphere conducive to expansion, as well as to attract new business and industry.
10. **Industrial Park Development**—The City and Henry County partner in economic development through joint funding of the Martinsville-Henry County Economic Development Corporation and also through a revenue sharing agreement for three separate industrial parks. Under the agreement, the City is to receive one-third of the tax revenue generated after Henry County recoups its initial investment. One particular industrial park, Commonwealth Crossing Business Centre, approximately 600 acres in size, has become the focus of aggressive development efforts projected to continue into FY14 and beyond. Various funding sources were secured, including a City contribution of \$292,400 for installation of water and sewer infrastructure and a City commitment of \$1,700,000 for the grading of the site. Although local officials are still optimistic for a positive outcome, FY13 saw little progress regarding efforts to begin grading of the site due to permitting issues through the Army Corps of Engineers. Officials are confident, however, that resolution of the issues will occur and it is hopeful grading will begin in FY14. The City must plan for its share of the grading costs in subsequent budgets. Additionally, as a result of the recent sale of a shell building in the Patriot Centre Industrial Park, the City, County, and EDC have partnered once again on the construction of another new shell building with the goal of attracting new industry, investment, and job creation to this community.

All these factors were considered in preparing the City's budgets for the 2013 and 2014 fiscal years.

For fiscal year 2014, City Council approved a General Fund Budget of \$30,513,271. In response to the revaluation that occurred during fiscal year 2013, the fiscal year 2014 budget equalized the real estate tax rate at \$1.0621 per \$100 of assessed value. It also provided for an increase in Refuse rates to \$18.50 per month for residential service and to \$26.00 per month for commercial service.

Requests for Information

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

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Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 8,427,269	\$ 9,465,237	\$ 17,892,506	\$ 1,875,827
Cash and cash equivalents - restricted	2,274,054	944,062	3,218,116	-
Receivables (net of allowance for uncollectibles):				
Property taxes	545,477	-	545,477	-
Accounts receivable	131,727	3,373,650	3,505,377	144,820
Inventory	3,241,224	921,469	4,162,693	-
Internal balances	(815,517)	815,517	-	-
Due from other governments	1,022,509	-	1,022,509	698,634
Prepaid items	484,531	-	484,531	-
Total Current Assets	\$ 15,311,274	\$ 15,519,935	\$ 30,831,209	\$ 2,719,281
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land and land improvements	\$ 4,379,094	\$ 683,624	\$ 5,062,718	\$ 47,172
Buildings and improvements	7,479,476	3,588,149	11,067,625	7,072,235
Equipment	1,327,692	1,732,313	3,060,005	682,346
Construction in progress	9,995,340	16,950	10,012,290	-
Infrastructure	1,415,762	13,192,684	14,608,446	-
Total Net Capital Assets	\$ 24,597,364	\$ 19,213,720	\$ 43,811,084	\$ 7,801,753
Total Assets	\$ 39,908,638	\$ 34,733,655	\$ 74,642,293	\$ 10,521,034
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 2,728,573	\$ 668,555	\$ 3,397,128	\$ 1,746,364
Accrued interest payable	334,095	35,276	369,371	-
Unearned revenues	-	-	-	32,675
Current portion of long-term obligations	1,242,277	432,397	1,674,674	-
Total Current Liabilities	\$ 4,304,945	\$ 1,136,228	\$ 5,441,173	\$ 1,779,039
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations	\$ 18,181,055	\$ 5,461,777	\$ 23,642,832	\$ 110,000
Total Liabilities	\$ 22,486,000	\$ 6,598,005	\$ 29,084,005	\$ 1,889,039
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 41,651	\$ -	\$ 41,651	\$ -
NET POSITION				
Net investment in capital assets	\$ 8,114,801	\$ 17,668,620	\$ 25,783,421	\$ 7,801,753
Unrestricted	9,266,186	10,467,030	19,733,216	830,242
Total Net Position	\$ 17,380,987	\$ 28,135,650	\$ 45,516,637	\$ 8,631,995
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 39,908,638	\$ 34,733,655	\$ 74,642,293	\$ 10,521,034

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

CITY OF MARTINSVILLE, VIRGINIA

Statement of Activities
Year Ended June 30, 2013

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,632,201	\$ 210,744	\$ 275,042	\$ -
Judicial administration	1,981,577	215,326	721,469	-
Public safety	9,393,253	603,156	3,189,324	-
Public works	4,957,877	24,000	2,937,259	2,051,086
Health and welfare	748,961	-	146,616	-
Education	5,800,158	-	-	-
Parks, recreation, and cultural	1,085,674	51,468	29,024	-
Community development	3,705,549	-	1,816,471	-
Interest on long-term debt	488,284	-	-	-
Total governmental activities	\$ 31,793,534	\$ 1,104,694	\$ 9,115,205	\$ 2,051,086
Business-type activities:				
Electric	\$ 13,609,901	\$ 16,737,265	\$ -	\$ -
Water	1,756,400	3,223,717	-	-
Sewer	2,762,385	3,917,792	-	-
Refuse collection / landfill	1,566,262	1,599,297	-	-
Total business-type activities	\$ 19,694,948	\$ 25,478,071	\$ -	\$ -
Total primary government	\$ 51,488,482	\$ 26,582,765	\$ 9,115,205	\$ 2,051,086
COMPONENT UNIT:				
School Board	\$ 23,327,360	\$ 431,989	\$ 17,789,848	\$ -
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 position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business Type Activities	Total	School Board	Functions/Programs
PRIMARY GOVERNMENT:				
Governmental activities:				
\$ (3,146,415)	\$ -	\$ (3,146,415)	\$ -	General government administration
(1,044,782)	-	(1,044,782)	-	Judicial administration
(5,600,773)	-	(5,600,773)	-	Public safety
54,468	-	54,468	-	Public works
(602,345)	-	(602,345)	-	Health and welfare
(5,800,158)	-	(5,800,158)	-	Education
(1,005,182)	-	(1,005,182)	-	Parks, recreation, and cultural
(1,889,078)	-	(1,889,078)	-	Community development
(488,284)	-	(488,284)	-	Interest on long-term debt
<u>\$ (19,522,549)</u>	<u>\$ -</u>	<u>\$ (19,522,549)</u>	<u>\$ -</u>	Total government activities
Business-type activities:				
\$ -	\$ 3,127,364	\$ 3,127,364	\$ -	Electric
-	1,467,317	1,467,317	-	Water
-	1,155,407	1,155,407	-	Sewer
-	33,035	33,035	-	Refuse collection / landfill
<u>\$ -</u>	<u>\$ 5,783,123</u>	<u>\$ 5,783,123</u>	<u>\$ -</u>	Total business-type activities
<u>\$ (19,522,549)</u>	<u>\$ 5,783,123</u>	<u>\$ (13,739,426)</u>	<u>\$ -</u>	Total primary government
COMPONENT UNIT:				
\$ -	\$ -	\$ -	\$ (5,105,523)	School Board
General revenues:				
\$ 8,815,665	\$ -	\$ 8,815,665	\$ -	General property taxes
1,886,892	-	1,886,892	-	Local sales tax
1,769,645	-	1,769,645	-	Business license tax
1,552,032	-	1,552,032	-	Meals tax
684,046	-	684,046	-	Consumer utility tax
787,788	-	787,788	-	Other local taxes
684,989	26,213	711,202	42,720	Unrestricted revenues from use of money and property
263,000	-	263,000	212,013	Miscellaneous
1,642,941	-	1,642,941	-	Commonwealth of Virginia non-categorical aid
-	-	-	5,122,127	City contribution to the school board, unrestricted
2,743,691	(2,743,691)	-	-	Transfers
<u>\$ 20,830,689</u>	<u>\$ (2,717,478)</u>	<u>\$ 18,113,211</u>	<u>\$ 5,376,860</u>	Total general revenues and transfers
<u>\$ 1,308,140</u>	<u>\$ 3,065,645</u>	<u>\$ 4,373,785</u>	<u>\$ 271,337</u>	Change in net position
<u>16,072,847</u>	<u>25,070,005</u>	<u>41,142,852</u>	<u>8,360,658</u>	Net position - beginning
<u>\$ 17,380,987</u>	<u>\$ 28,135,650</u>	<u>\$ 45,516,637</u>	<u>\$ 8,631,995</u>	Net position - ending

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2013

	General	City Grants Fund	Meals Tax Fund	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 7,013,272	\$ 38,322	\$ 799,289	\$ 576,386	\$ 8,427,269
Cash and cash equivalents - restricted	-	-	2,211,940	62,114	2,274,054
Receivables (net of allowance for uncollectibles):					
Taxes, including penalties	545,477	-	-	-	545,477
Accounts	123,602	-	625	7,500	131,727
Inventory	838,216	-	-	-	838,216
Due from other governments	1,022,509	-	-	-	1,022,509
Prepaid items	6,576	-	-	477,955	484,531
Total assets	<u>\$ 9,549,652</u>	<u>\$ 38,322</u>	<u>\$ 3,011,854</u>	<u>\$ 1,123,955</u>	<u>\$ 13,723,783</u>
LIABILITIES					
Accounts payable and other current liabilities	\$ 1,859,774	\$ 39,083	\$ 775,066	\$ 54,650	\$ 2,728,573
Due to other funds	-	592,118	-	223,399	815,517
Total liabilities	<u>\$ 1,859,774</u>	<u>\$ 631,201</u>	<u>\$ 775,066</u>	<u>\$ 278,049</u>	<u>\$ 3,544,090</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	\$ 460,691	-	-	-	460,691
FUND BALANCES					
Nonspendable:					
Inventory	\$ 838,216	\$ -	\$ -	\$ -	\$ 838,216
Prepaid items	6,576	-	-	477,955	484,531
Restricted:					
Capital projects	-	-	2,211,940	62,114	2,274,054
Committed:					
Centre Infrastructure project	1,666,700	-	-	-	1,666,700
Piedmont Area Regional Transit	31,415	-	-	-	31,415
Housing Choice program	-	-	-	11,809	11,809
Assigned:					
Thoroughfare construction	154,099	-	-	-	154,099
Capital reserve fund	-	-	-	294,028	294,028
Meals tax fund	-	-	24,848	-	24,848
Unassigned	4,532,181	(592,879)	-	-	3,939,302
Total fund balances	<u>\$ 7,229,187</u>	<u>\$ (592,879)</u>	<u>\$ 2,236,788</u>	<u>\$ 845,906</u>	<u>\$ 9,719,002</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,549,652</u>	<u>\$ 38,322</u>	<u>\$ 3,011,854</u>	<u>\$ 1,123,955</u>	<u>\$ 13,723,783</u>

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

Total fund balances per exhibit 3 - Balance Sheet - Governmental Funds	\$ 9,719,002
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	24,597,364
Inventory of land and buildings held for resale	2,403,008
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(334,095)
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 unavailable revenues in the governmental funds and thus are not included in the fund balance.	419,040
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.	(19,423,332)
Net position of General Government Activities	<u>\$ 17,380,987</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, 2013

	<u>General</u>	<u>City Grants Fund</u>	<u>Meals Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
General property taxes	\$ 8,760,993	\$ -	\$ -	\$ -	\$ 8,760,993
Other local taxes	5,128,371	-	1,552,032	-	6,680,403
Permits, privilege fees and regulatory licenses	145,833	-	-	-	145,833
Fines and forfeitures	164,533	-	-	-	164,533
Revenue from use of money and property	608,808	36,959	17,817	21,405	684,989
Charges for services	794,328	-	-	-	794,328
Miscellaneous	226,835	-	-	36,165	263,000
Recovered costs	991,218	-	-	-	991,218
Intergovernmental:					
Commonwealth	8,870,660	8,196	-	48,840	8,927,696
Federal	2,061,261	183,044	378,057	1,637,231	4,259,593
Total revenues	<u>\$ 27,752,840</u>	<u>\$ 228,199</u>	<u>\$ 1,947,906</u>	<u>\$ 1,743,641</u>	<u>\$ 31,672,586</u>
Expenditures:					
Current:					
General government administration	\$ 3,956,860	\$ -	\$ 48,954	\$ 740,166	\$ 4,745,980
Judicial administration	1,983,255	-	-	-	1,983,255
Public safety	9,165,056	-	-	414,322	9,579,378
Public works	6,622,533	-	-	15,000	6,637,533
Health and welfare	792,657	-	-	-	792,657
Education	5,139,847	-	7,337,781	-	12,477,628
Parks, recreation, and cultural	1,068,617	-	-	-	1,068,617
Community development	1,665,024	237,973	-	1,914,339	3,817,336
Debt service:					
Principal retirement	38,405	-	877,143	252,184	1,167,732
Interest and other fiscal charges	-	-	647,980	69,971	717,951
Total expenditures	<u>\$ 30,432,254</u>	<u>\$ 237,973</u>	<u>\$ 8,911,858</u>	<u>\$ 3,405,982</u>	<u>\$ 42,988,067</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,679,414)</u>	<u>\$ (9,774)</u>	<u>\$ (6,963,952)</u>	<u>\$ (1,662,341)</u>	<u>\$ (11,315,481)</u>
Other financing sources (uses):					
Issuance of debt	\$ -	\$ -	\$ -	\$ 460,000	\$ 460,000
Transfers in	2,534,316	-	-	528,548	3,062,864
Transfers (out)	-	-	(319,173)	-	(319,173)
Total other financing sources (uses)	<u>\$ 2,534,316</u>	<u>\$ -</u>	<u>\$ (319,173)</u>	<u>\$ 988,548</u>	<u>\$ 3,203,691</u>
Changes in fund balances	\$ (145,098)	\$ (9,774)	\$ (7,283,125)	\$ (673,793)	\$ (8,111,790)
Fund balances at beginning of year	<u>7,374,285</u>	<u>(583,105)</u>	<u>9,519,913</u>	<u>1,519,699</u>	<u>17,830,792</u>
Fund balances at end of year	<u>\$ 7,229,187</u>	<u>\$ (592,879)</u>	<u>\$ 2,236,788</u>	<u>\$ 845,906</u>	<u>\$ 9,719,002</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, 2013

		<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	\$	(8,111,790)
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 outlays	\$ 10,205,332	
Depreciation expense	<u>(923,508)</u>	9,281,824
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position		(18,562)
Inventory of land and buildings purchased during the year and held for resale		94,074
Transfer of joint tenancy assets from Primary Government to the Component Unit		(521,862)
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.		54,672
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.		
Details supporting this adjustment are as follows:		
Principal retired on debt on literary fund loans	\$ 625,000	
Principal retired on general obligation bonds	319,100	
Principal retired on capital lease	97,087	
Principal retired on VPA subsidy bonds	126,545	
Issuance of capital lease	<u>(460,000)</u>	707,732
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in compensated absences	\$ (5,558)	
Change in Net OPEB obligation	(24,000)	
Change in accrued interest payable	<u>(148,390)</u>	(177,948)
Change in net position of governmental activities	\$	<u><u>1,308,140</u></u>

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

Proprietary Funds
Statement of Net Position
At June 30, 2013

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 2,601,643	\$ 388,828	\$ 970,233	\$ 5,504,533	\$ 9,465,237
Cash and cash equivalents - restricted	944,062	-	-	-	944,062
Receivables (net of allowance for uncollectibles):	2,320,123	431,502	385,332	236,693	3,373,650
Due from other funds	-	-	-	815,517	815,517
Inventory	771,425	150,044	-	-	921,469
Total current assets	\$ 6,637,253	\$ 970,374	\$ 1,355,565	\$ 6,556,743	\$ 15,519,935
Noncurrent Assets					
Capital assets:					
Land	\$ -	\$ 658,224	\$ 25,400	\$ -	\$ 683,624
Construction in progress	16,950	-	-	-	16,950
Buildings and improvements	586,744	1,747,425	1,069,859	2,809,297	6,213,325
Equipment	2,460,151	1,441,916	2,139,904	1,629,431	7,671,402
Infrastructure	28,170,808	11,548,598	15,910,430	-	55,629,836
Less accumulated depreciation	(22,414,649)	(10,930,586)	(15,835,411)	(1,820,771)	(51,001,417)
Total capital assets (net of accumulated depreciation)	\$ 8,820,004	\$ 4,465,577	\$ 3,310,182	\$ 2,617,957	\$ 19,213,720
Total assets	\$ 15,457,257	\$ 5,435,951	\$ 4,665,747	\$ 9,174,700	\$ 34,733,655
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 50,997	\$ 136,804	\$ 132,681	\$ 43,864	\$ 364,346
Customers' deposits	267,254	36,955	-	-	304,209
Interest payable	1,897	-	1,435	31,944	35,276
Current portion of long-term obligations	21,327	4,779	21,465	384,826	432,397
Total current liabilities	\$ 341,475	\$ 178,538	\$ 155,581	\$ 460,634	\$ 1,136,228
Noncurrent liabilities:					
Noncurrent portion of long-term obligations	154,239	43,009	177,608	5,086,921	5,461,777
Total liabilities	\$ 495,714	\$ 221,547	\$ 333,189	\$ 5,547,555	\$ 6,598,005
NET POSITION					
Net investment in capital assets	\$ 8,692,704	\$ 4,465,577	\$ 3,178,568	\$ 1,331,771	\$ 17,668,620
Unrestricted	6,268,839	748,827	1,153,990	2,295,374	10,467,030
Total Net Position	\$ 14,961,543	\$ 5,214,404	\$ 4,332,558	\$ 3,627,145	\$ 28,135,650
Total Liabilities and Net Position	\$ 15,457,257	\$ 5,435,951	\$ 4,665,747	\$ 9,174,700	\$ 34,733,655

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

Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2013

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Operating revenues:					
Charges for services	\$ 16,653,889	\$ 3,102,489	\$ 3,914,706	\$ 1,477,186	\$ 25,148,270
Miscellaneous	<u>83,376</u>	<u>121,228</u>	<u>3,086</u>	<u>122,111</u>	<u>329,801</u>
Total operating revenues	<u>\$ 16,737,265</u>	<u>\$ 3,223,717</u>	<u>\$ 3,917,792</u>	<u>\$ 1,599,297</u>	<u>\$ 25,478,071</u>
Operating expenses:					
Personnel services	\$ 504,464	\$ 543,796	\$ 804,461	\$ 192,416	\$ 2,045,137
Fringe benefits	163,718	211,065	347,923	68,578	791,284
Contractual services	148,690	21,074	20,935	171,959	362,658
Other charges	12,404,104	755,493	1,335,687	867,208	15,362,492
Depreciation	<u>384,765</u>	<u>224,972</u>	<u>247,357</u>	<u>189,473</u>	<u>1,046,567</u>
Total operating expenses	<u>\$ 13,605,741</u>	<u>\$ 1,756,400</u>	<u>\$ 2,756,363</u>	<u>\$ 1,489,634</u>	<u>\$ 19,608,138</u>
Operating income (loss)	<u>\$ 3,131,524</u>	<u>\$ 1,467,317</u>	<u>\$ 1,161,429</u>	<u>\$ 109,663</u>	<u>\$ 5,869,933</u>
Non-operating revenues (expenses):					
Interest income	\$ 701	\$ -	\$ 25,512	\$ -	\$ 26,213
Interest expense	<u>(4,160)</u>	<u>-</u>	<u>(6,022)</u>	<u>(76,628)</u>	<u>(86,810)</u>
Total non-operating revenues (expenses)	<u>\$ (3,459)</u>	<u>\$ -</u>	<u>\$ 19,490</u>	<u>\$ (76,628)</u>	<u>\$ (60,597)</u>
Income (loss) before transfers	<u>\$ 3,128,065</u>	<u>\$ 1,467,317</u>	<u>\$ 1,180,919</u>	<u>\$ 33,035</u>	<u>\$ 5,809,336</u>
Transfers:					
Transfers in	\$ -	\$ -	\$ -	\$ 140,000	\$ 140,000
Transfers (out)	<u>(923,766)</u>	<u>(1,101,946)</u>	<u>(857,979)</u>	<u>-</u>	<u>(2,883,691)</u>
Changes in net position	<u>\$ 2,204,299</u>	<u>\$ 365,371</u>	<u>\$ 322,940</u>	<u>\$ 173,035</u>	<u>\$ 3,065,645</u>
Net position at beginning of year	<u>12,757,244</u>	<u>4,849,033</u>	<u>4,009,618</u>	<u>3,454,110</u>	<u>25,070,005</u>
Net position at end of year	<u><u>\$ 14,961,543</u></u>	<u><u>\$ 5,214,404</u></u>	<u><u>\$ 4,332,558</u></u>	<u><u>\$ 3,627,145</u></u>	<u><u>\$ 28,135,650</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, 2013

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 16,826,064	\$ 3,228,910	\$ 3,952,913	\$ 1,617,447	\$ 25,625,334
Payments to suppliers and other operating expenses	(12,577,109)	(683,651)	(1,305,037)	(1,068,326)	(15,634,123)
Payments to employees (including fringe benefits)	(665,746)	(743,224)	(1,158,623)	(256,830)	(2,824,423)
Net cash provided by (used for) operating activities	\$ 3,583,209	\$ 1,802,035	\$ 1,489,253	\$ 292,291	\$ 7,166,788
Cash Flows From Capital and Related Financing Activities:					
Purchase and construction of capital assets	\$ (888,745)	\$ (338,170)	\$ (142,202)	\$ (138,273)	\$ (1,507,390)
Federal and state grants	-	24,036	-	-	24,036
Interest paid on debt	(4,396)	-	(4,740)	(71,185)	(80,321)
Net cash provided by (used for) capital and related financing activities	\$ (893,141)	\$ (314,134)	\$ (146,942)	\$ (209,458)	\$ (1,563,675)
Cash Flows From Noncapital Financing Activities:					
Transfers	\$ (923,766)	\$ (1,101,946)	\$ (857,979)	\$ 140,000	\$ (2,743,691)
Retirements of general obligation bonds	(15,900)	-	(14,360)	(373,740)	(404,000)
Retirements of capital leases	-	-	(65,474)	-	(65,474)
Due from other funds	-	-	-	(33,295)	(33,295)
Net cash provided by (used for) noncapital financing activities	\$ (939,666)	\$ (1,110,936)	\$ (937,813)	\$ (267,035)	\$ (3,255,450)
Cash Flows From Investing Activities:					
Interest income	\$ 701	\$ -	\$ 25,512	\$ -	\$ 26,213
Net Increase (decrease) in cash and cash equivalents	\$ 1,751,103	\$ 376,965	\$ 430,010	\$ (184,202)	\$ 2,373,876
Cash and cash equivalents at beginning of year	1,794,602	11,863	540,223	5,688,735	8,035,423
Cash and cash equivalents at end of year	\$ 3,545,705	\$ 388,828	\$ 970,233	\$ 5,504,533	\$ 10,409,299
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 3,131,524	\$ 1,467,317	\$ 1,161,429	\$ 109,663	\$ 5,869,933
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	\$ 384,765	\$ 224,972	\$ 247,357	\$ 189,473	\$ 1,046,567
Changes in operating assets and liabilities:					
(Increase) in accounts receivable	106,558	8,678	35,121	18,150	168,507
Increase (decrease) in:					
Accounts payable	(24,315)	92,916	51,585	(29,159)	91,027
Compensated absences	2,436	11,637	(6,239)	4,164	11,998
Customer deposits	(17,759)	(3,485)	-	-	(21,244)
Total adjustments	\$ 451,685	\$ 334,718	\$ 327,824	\$ 182,628	\$ 1,296,855
Net cash provided by (used for) operating activities	\$ 3,583,209	\$ 1,802,035	\$ 1,489,253	\$ 292,291	\$ 7,166,788

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

Statement of Fiduciary Net Position --
Agency Funds
At June 30, 2013

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ <u>1,095,299</u>
Total assets	\$ <u><u>1,095,299</u></u>
LIABILITIES	
Accounts payable	\$ 34,512
Amounts held for others	<u>1,060,787</u>
Total liabilities	\$ <u><u>1,095,299</u></u>

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, 2013

Note 1—Summary of Significant Accounting Policies:

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

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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

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

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

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

A. Financial Reporting Entity

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

B. Individual Component Unit Disclosures

Blended Component Unit. The City has no blended component units at June 30, 2013.

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, 2013.

C. Other Related Organizations

Included in the City's Financial Report

None

Excluded from the City's Financial Report

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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

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 unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the City.

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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

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

1. Governmental Funds

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

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

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

The City Grants fund is a Special Revenue Fund of the City. This fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The City reports the following non-major governmental funds:

Special Revenue Funds: Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only non-major Special Revenue Fund is the Housing Choice Fund.

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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

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.

The City reports the electric, water, sewer and refuse collection/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 Trust Fund, Inmate Welfare 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.

F. Investments

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.

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

G. Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) 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 \$1,812,762 at June 30, 2013 is composed of the following:

General Fund

Allowance for uncollectible property taxes	\$ 481,877
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Enterprise Funds

Allowance for uncollectible accounts:

Electric Fund	\$ 920,848
Water Fund	165,941
Sewer Fund	150,290
Refuse Collection/Landfill Fund	93,806

Total allowance for uncollectible accounts – Enterprise funds	\$ 1,330,885
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Total allowance for uncollectible accounts	\$ 1,812,762
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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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

I. Prepaid Items

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

J. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2013 was immaterial.

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

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any deferred outflows of resources as of June 30, 2013.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

K. 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 City has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

L. 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 *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.

M. 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.

N. 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.

O. 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

P. Fund Equity

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

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

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

Q. 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

R. Net Position Flow Assumption

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

S. Long-term Obligations

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

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

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

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

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 2—Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures exceed appropriations as follows for the fiscal year ended June 30, 2013:

<u>Fund/ Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess of Expenditures Over Appropriations</u>
City Grants Fund	\$ 212,907	\$ 237,973	\$ (25,066)
School Cafeteria Fund	1,357,598	1,476,828	(119,230)
School Grants Fund	<u>2,150,421</u>	<u>2,353,851</u>	<u>(203,430)</u>
	<u>\$ 3,720,926</u>	<u>\$ 4,068,652</u>	<u>\$ (347,726)</u>

Fund Deficits

The following funds had deficit balances at June 30, 2013:

City Grants Fund	\$ 592,879
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CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 3—Deposits:

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.

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 \$1,875,372 at June 30, 2013.

Note 4—Due from Other Governments:

At June 30, 2013 the City has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local Sales Tax	\$ 153,403	\$ -
State Sales Tax	-	152,923
Constitutional officer reimbursements	246,691	-
Fire grant	6,167	-
Miscellaneous grants	18,374	-
Comprehensive service	27,726	-
Communication taxes	71,279	-
Technology grant	-	154,000
Federal Government:		
National guard armory	5,647	-
DMV grant - police	3,065	-
Senior citizens grant	2,097	-
Safe routes to schools grant	52,380	-
Street construction grant	435,680	-
School fund grants	-	391,711
Total due from other governments	\$ <u>1,022,509</u>	\$ <u>698,634</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 5—Inventory:

At June 30, 2013 the City has inventory recorded in the various funds as follows:

	Governmental Funds	Enterprise Funds
Expendable supplies	\$ 838,216	\$ 921,469
Land and building inventory held for resale:		
98 Commercial & residential lots held for resale	1,691,088	-
8 Commercial & residential buildings held for resale	711,920	-
Totals	<u>\$ 3,241,224</u>	<u>\$ 921,469</u>

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2013:

Primary Government:

Governmental Activities:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 4,379,094	\$ -	\$ -	\$ 4,379,094
Construction in progress	1,879,162	9,764,869	1,648,691	9,995,340
Total capital assets not being depreciated	<u>\$ 6,258,256</u>	<u>\$ 9,764,869</u>	<u>\$ 1,648,691</u>	<u>\$ 14,374,434</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 5,522,400	\$ 1,518,644	\$ -	\$ 7,041,044
Equipment	7,704,316	570,510	179,264	8,095,562
Infrastructure	30,533,944	-	-	30,533,944
Jointly owned assets	6,246,962	-	751,545	5,495,417
Total capital assets being depreciated	<u>\$ 50,007,622</u>	<u>\$ 2,089,154</u>	<u>\$ 930,809</u>	<u>\$ 51,165,967</u>
Accumulated depreciation:				
Buildings and improvements	\$ 3,291,796	\$ 165,526	\$ -	\$ 3,457,322
Equipment	6,457,233	471,339	160,702	6,767,870
Infrastructure	28,969,989	148,193	-	29,118,182
Jointly owned assets	1,690,896	138,450	229,683	1,599,663
Total accumulated depreciation	<u>\$ 40,409,914</u>	<u>\$ 923,508</u>	<u>\$ 390,385</u>	<u>\$ 40,943,037</u>
Total capital assets being depreciated, net	<u>\$ 9,597,708</u>	<u>\$ 1,165,646</u>	<u>\$ 540,424</u>	<u>\$ 10,222,930</u>
Governmental capital assets, net	<u>\$ 15,855,964</u>	<u>\$ 10,930,515</u>	<u>\$ 2,189,115</u>	<u>\$ 24,597,364</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government:

Business-Type Activities:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Electric Fund:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 16,950	\$ -	\$ 16,950
Capital assets being depreciated:				
Buildings and improvements	\$ 586,744	\$ -	\$ -	\$ 586,744
Equipment	2,397,731	62,420	-	2,460,151
Infrastructure	27,361,433	809,375	-	28,170,808
Total capital assets being depreciated	\$ 30,345,908	\$ 871,795	\$ -	\$ 31,217,703
Accumulated depreciation:				
Buildings and improvements	\$ 586,358	\$ 129	\$ -	\$ 586,487
Equipment	1,826,899	123,669	-	1,950,568
Infrastructure	19,616,627	260,967	-	19,877,594
Total accumulated depreciation	\$ 22,029,884	\$ 384,765	\$ -	\$ 22,414,649
Total capital assets being depreciated, net	\$ 8,316,024	\$ 487,030	\$ -	\$ 8,803,054
Electric fund capital assets, net	\$ 8,316,024	\$ 503,980	\$ -	\$ 8,820,004

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 6—Capital Assets: (Continued)

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Water Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 658,224	\$ -	\$ -	\$ 658,224
Capital assets being depreciated:				
Buildings and improvements	\$ 1,572,636	\$ 174,789	\$ -	\$ 1,747,425
Equipment	1,440,516	1,400	-	1,441,916
Infrastructure	11,386,617	161,981	-	11,548,598
Total capital assets being depreciated	\$ 14,399,769	\$ 338,170	\$ -	\$ 14,737,939
Accumulated depreciation:				
Buildings and improvements	\$ 1,026,830	\$ 43,130	\$ -	\$ 1,069,960
Equipment	952,457	47,114	-	999,571
Infrastructure	8,726,327	134,728	-	8,861,055
Total accumulated depreciation	\$ 10,705,614	\$ 224,972	\$ -	\$ 10,930,586
Total capital assets being depreciated, net	\$ 3,694,155	\$ 113,198	\$ -	\$ 3,807,353
Water fund capital assets, net	\$ 4,352,379	\$ 113,198	\$ -	\$ 4,465,577

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Sewer Fund:				
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	2,119,892	20,012		2,139,904
Infrastructure	15,788,240	122,190	-	15,910,430
Total capital assets being depreciated	\$ 18,977,991	\$ 142,202	\$ -	\$ 19,120,193
Accumulated depreciation:				
Buildings and improvements	\$ 826,437	\$ 20,031	\$ -	\$ 846,468
Equipment	1,222,895	67,545		1,290,440
Infrastructure	13,538,722	159,781	-	13,698,503
Total accumulated depreciation	\$ 15,588,054	\$ 247,357	\$ -	\$ 15,835,411
Total capital assets being depreciated, net	\$ 3,389,937	\$ (105,155)	\$ -	\$ 3,284,782
Sewer fund capital asset, net	\$ 3,415,337	\$ (105,155)	\$ -	\$ 3,310,182

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 6—Capital Assets: (Continued)

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Refuse Collection/Landfill Fund:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,786,896	\$ 22,401	\$ -	\$ 2,809,297
Equipment	<u>1,513,559</u>	<u>115,872</u>	<u>-</u>	<u>1,629,431</u>
Total capital assets being depreciated	<u>\$ 4,300,455</u>	<u>\$ 138,273</u>	<u>\$ -</u>	<u>\$ 4,438,728</u>
Accumulated depreciation:				
Buildings and improvements	\$ 112,582	\$ 9,679	\$ -	\$ 122,261
Equipment	<u>1,518,716</u>	<u>179,794</u>	<u>-</u>	<u>1,698,510</u>
Total accumulated depreciation	<u>\$ 1,631,298</u>	<u>\$ 189,473</u>	<u>\$ -</u>	<u>\$ 1,820,771</u>
Total capital assets being depreciated, net	<u>\$ 2,669,157</u>	<u>\$ (51,200)</u>	<u>\$ -</u>	<u>\$ 2,617,957</u>
Refuse collection/landfill fund capital assets, net	<u><u>\$ 2,669,157</u></u>	<u><u>\$ (51,200)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,617,957</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-Type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Total Business-Type Activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 683,624	\$ -	\$ -	\$ 683,624
Construction in progress	<u>-</u>	<u>16,950</u>	<u>-</u>	<u>16,950</u>
Total capital assets not being depreciated	\$ <u>683,624</u>	\$ <u>16,950</u>	\$ <u>-</u>	\$ <u>700,574</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,016,135	\$ 197,190	\$ -	\$ 6,213,325
Equipment	7,471,698	199,704	-	7,671,402
Infrastructure	<u>54,536,290</u>	<u>1,093,546</u>	<u>-</u>	<u>55,629,836</u>
Total capital assets being depreciated	\$ <u>68,024,123</u>	\$ <u>1,490,440</u>	\$ <u>-</u>	\$ <u>69,514,563</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,552,207	\$ 72,969	\$ -	\$ 2,625,176
Equipment	5,520,967	418,122	-	5,939,089
Infrastructure	<u>41,881,676</u>	<u>555,476</u>	<u>-</u>	<u>42,437,152</u>
Total accumulated depreciation	\$ <u>49,954,850</u>	\$ <u>1,046,567</u>	\$ <u>-</u>	\$ <u>51,001,417</u>
Total capital assets being depreciated, net	\$ <u>18,069,273</u>	\$ <u>443,873</u>	\$ <u>-</u>	\$ <u>18,513,146</u>
Total Business-Type capital assets, net	<u>\$ 18,752,897</u>	<u>\$ 460,823</u>	<u>\$ -</u>	<u>\$ 19,213,720</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 6—Capital Assets: (Continued)

Discretely Presented Component Unit—School Board:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Discretely Presented Component Unit-School Board:				
Capital assets, not being depreciated:				
Land	\$ 47,172	\$ -	\$ -	\$ 47,172
Capital assets being depreciated:				
Buildings and improvements	\$ 7,922,195	\$ -	\$ -	\$ 7,922,195
Equipment	2,548,464	155,033	-	2,703,497
Jointly owned assets	7,645,997	751,545	-	8,397,542
Total capital assets being depreciated	\$ 18,116,656	\$ 906,578	\$ -	\$ 19,023,234
Accumulated depreciation:				
Buildings and improvements	\$ 7,090,699	\$ 299,979	\$ -	\$ 7,390,678
Equipment	1,840,641	180,510	-	2,021,151
Jointly owned assets	1,627,141	229,683	-	1,856,824
Total accumulated depreciation	\$ 10,558,481	\$ 710,172	\$ -	\$ 11,268,653
Total capital assets being depreciated, net	\$ 7,558,175	\$ 196,406	\$ -	\$ 7,754,581
School Board capital assets, net	\$ 7,605,347	\$ 196,406	\$ -	\$ 7,801,753

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 6—Capital Assets: (Continued)

The following is a summary of depreciation expense for the year ended June 30, 2013:

Governmental activities:

General government	\$ 109,119
Judicial administration	1,120
Public safety	298,673
Public works	269,236
Health and welfare	9,596
Education	138,450
Parks, recreation and cultural	44,086
Community development	<u>53,228</u>

Total Governmental activities	\$ <u><u>923,508</u></u>
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Business-type activities:

Electric	\$ 384,765
Water	224,972
Sewer	247,357
Refuse collection / landfill	<u>189,473</u>

Total Enterprise activities	\$ <u><u>1,046,567</u></u>
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Component Unit School Board	\$ <u><u>480,489</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 \$229,683 for the year ending June 30, 2013 when added to depreciation expense above totals \$710,172 accumulated depreciation per the previous page.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 7—Interfund Transfers/Obligations:

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 2,534,316	\$ -
Meals tax	-	319,173
Non-Major governmental funds:		
Capital reserve	528,548	-
Proprietary funds:		
Electric	-	923,766
Water	-	1,101,946
Sewer	-	857,979
Refuse Collection/Landfill	140,000	-
Total	\$ <u>3,202,864</u>	\$ <u>3,202,864</u>

Interfund receivables and payable balances relative to working capital loans at June 30, 2013 are presented below:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Primary Government:		
City Grants	\$ -	\$ 592,118
Housing Choice	-	223,399
Refuse Collection Landfill	815,517	-
Total	\$ <u>815,517</u>	\$ <u>815,517</u>
Component Unit - School Board:		
School Operating Fund	\$ 188,625	\$ -
School Grants	-	188,625
Total	\$ <u>188,625</u>	\$ <u>188,625</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, 2013 (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, 2013:

	Beginning Balance July 1, 2012	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2013	Amounts Due Within One Year
Governmental Obligations:					
Incurred by City					
Compensated absences	\$ 486,157	\$ 214,432	\$ 208,874	\$ 491,715	\$ 49,172
General obligation bonds	3,480,300	-	319,100	3,161,200	328,900
General obligation note	340,000	-	-	340,000	-
Net OPEB obligation	151,000	229,000	205,000	175,000	-
Capital lease obligations	58,682	460,000	58,682	460,000	89,091
Total incurred by City	<u>\$ 4,516,139</u>	<u>\$ 903,432</u>	<u>\$ 791,656</u>	<u>\$ 4,627,915</u>	<u>\$ 467,163</u>
Incurred by School Board:					
State Literary Fund Loans	\$ 4,625,000	\$ -	\$ 625,000	\$ 4,000,000	\$ 625,000
General obligation bonds	10,921,962	-	126,545	10,795,417	150,114
Capital lease	38,405	-	38,405	-	-
Total incurred by School Board	<u>\$ 15,585,367</u>	<u>\$ -</u>	<u>\$ 789,950</u>	<u>\$ 14,795,417</u>	<u>\$ 775,114</u>
Total Governmental Obligations	<u>\$ 20,101,506</u>	<u>\$ 903,432</u>	<u>\$ 1,581,606</u>	<u>\$ 19,423,332</u>	<u>\$ 1,242,277</u>
Business-type Obligations:					
Compensated absences	\$ 162,966	\$ 68,451	\$ 56,453	\$ 174,964	\$ 17,497
General obligation bond	2,683,700	-	404,000	2,279,700	414,900
Capital lease	65,474	-	65,474	-	-
Landfill closure and post-closure costs	3,439,510	-	-	3,439,510	-
Total Business-type Obligations	<u>\$ 6,351,650</u>	<u>\$ 68,451</u>	<u>\$ 525,927</u>	<u>\$ 5,894,174</u>	<u>\$ 432,397</u>
Total Primary Government	<u>\$ 26,453,156</u>	<u>\$ 971,883</u>	<u>\$ 2,107,533</u>	<u>\$ 25,317,506</u>	<u>\$ 1,674,674</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, 2013 (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						Business-type Obligations	
	General Obligation Bonds		General Obligation Note		Capital Lease		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 328,900	\$ 92,628	\$ -	\$ 10,200	\$ 89,091	\$ 8,232	\$ 414,900	\$ 68,408
2015	337,700	82,179	-	10,200	90,523	5,574	427,200	57,102
2016	346,200	71,459	-	10,200	91,977	4,120	284,900	47,373
2017	359,300	60,399	-	10,200	93,454	2,642	138,900	41,214
2018	371,800	48,934	-	10,200	94,955	1,141	144,000	36,793
2019	379,200	37,158	-	10,200	-	-	148,200	32,204
2020	391,100	25,079	-	10,200	-	-	152,400	27,471
2021	85,100	17,793	-	10,200	-	-	137,100	22,925
2022	87,400	15,452	-	10,200	-	-	39,800	18,549
2023	89,800	13,049	-	10,200	-	-	41,600	16,718
2024	92,300	10,579	-	10,200	-	-	43,600	14,801
2025	94,800	8,041	-	10,200	-	-	45,600	12,794
2026	97,500	5,434	-	10,200	-	-	47,700	10,694
2027	100,100	2,753	-	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	<u>\$ 3,161,200</u>	<u>\$ 490,937</u>	<u>\$ 340,000</u>	<u>\$ 164,900</u>	<u>\$ 460,000</u>	<u>\$ 21,709</u>	<u>\$ 2,279,700</u>	<u>\$ 426,828</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Year Ending June 30,	School Board Obligations			
	State Literary Fund Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 625,000	\$ 120,000	\$ 150,114	\$ 470,698
2015	625,000	101,250	174,096	466,273
2016	625,000	82,500	198,486	461,748
2017	625,000	63,750	220,827	457,116
2018	375,000	45,000	493,803	452,373
2019	375,000	33,750	512,124	447,512
2020	375,000	22,500	528,439	442,528
2021	375,000	11,250	701,458	437,414
2022	-	-	1,092,959	432,163
2023	-	-	777,465	427,179
2024	-	-	780,079	422,065
2025	-	-	783,241	416,403
2026	-	-	786,569	410,575
2027	-	-	790,070	404,574
2028	-	-	793,755	398,389
2029	-	-	670,644	395,250
2030	-	-	670,644	395,250
2031	-	-	670,644	197,624
Total	\$ 4,000,000	\$ 480,000	\$ 10,795,417	\$ 7,535,134

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Incurred by City:

General Obligation Bonds:

\$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% \$ 1,979,100

\$1,250,000 general obligation bond, Series 2012 issued (for Municipal building renovations) January 26, 2012, maturing in various annual installments of \$67,900 to \$100,100 through February 1, 2027, interest payable semi-annually at 2.75% 1,182,100

Total general obligation bonds \$ 3,161,200

General Obligation Note:

\$340,000 note payable to Harvest Foundation issued (for Henry Hotel) September 1, 2009 payable on August 1, 2029, interest payable monthly at 3.00% \$ 340,000

Capital Lease:

The City has entered into a lease agreement as lessee for financing the acquisition of a fire truck. The fire truck cost \$460,000 and was acquired with lease financing. The asset has not yet been depreciated as of June 30, 2013. Annual requirements to amortize City long-term lease obligations are disclosed within this note. Details of this lease are as follows:

\$460,000 obligation for the purchase of a fire truck, payable in semi-annual installments of \$48,048 beginning August 15, 2013 through February 15, 2017, interest at 1.6% \$ 460,000

Compensated absences \$ 491,715

Net OPEB obligation 175,000

Total Incurred by City \$ 4,627,915

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Incurred by School Board:

State Literary Fund Loans:

\$5,000,000 State Literary Fund loan issued (for Junior High) January 28, 1997, due in annual principal installments of \$250,000 through 2017, interest payable annually at 3% \$ 1,000,000

\$7,500,000 State Literary Fund Loan issued (for Albert Harris Elementary) September 1, 2000, due in annual principal installments of \$375,000 through 2021; interest payable annually at 3% 3,000,000

Total State Literary Fund Loans \$ 4,000,000

Virginia Public Authority Subsidy Bonds:

\$1,936,758 Virginia Public Authority Subsidy Bonds issued (for Patrick Henry Elementary School) November 1, 2007, due in annual installments of varying amounts through 2028; interest payable semi-annually at 4.38% \$ 1,537,990

\$9,300,000 Qualified School Construction Bonds issued (for renovations to Martinsville High School) December 15, 2011, due in annual installments of varying amounts through December 1, 2030 interest free as a federal tax credit is provided to bondholders 9,257,427

Total Virginia Public Authority Subsidy Bonds \$ 10,795,417

Total Incurred by the School Board \$ 14,795,417

Total Governmental Obligations \$ 19,423,332

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Business-type 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% \$ 734,600

\$190,000 capital-related general obligation series 2009A bonds (acquired bucket truck for Electric) maturing in various annual installments of \$14,900 to \$20,000 through July 15, 2019, interest payable semi-annually at 3.25% 127,300

\$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% 693,800

\$880,000 capital-related general obligation series 2010 bonds maturing in various annual installments of \$76,000 to \$99,000 through February 1, 2021, interest payable semi-annually at 2.65% 724,000

Total general obligation bonds \$ 2,279,700

Compensated absences \$ 174,964

Landfill closure and postclosure costs 3,439,510

Total enterprise obligations \$ 5,894,174

Discretely Presented Component Unit-School Board

The following is a summary of changes in long-term obligations of the Discretely Presented Component Unit-School Board for the fiscal year ended June 30, 2013:

	Beginning Balance July 1, 2012	Issuances/ Additions	Retirements / Deletions	Ending Balance June 30, 2013	Amounts Due Within One Year
Net OPEB obligation	\$ <u>128,000</u>	\$ <u>63,000</u>	\$ <u>81,000</u>	\$ <u>110,000</u>	\$ <u>-</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 9—Landfill Closure and Postclosure Costs:

State and federal laws and regulations require the City to place a final cover on each phase of its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. In accordance with Statement 18 of the Governmental Accounting Standards Board entitled *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the City reported a liability for a portion of these closure and postclosure care costs based on landfill capacity used. The \$3,439,510 reported as landfill closure and postclosure care liability at June 30, 2013 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 2013. Actual closure and postclosure care costs may be higher due to inflation, changes in technology, or changes in regulations.

The City plans to meet all federal laws, regulations and test of financial assurance related to the financing of closure and postclosure care when they become effective.

The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 10—Unavailable/Unearned Revenue:

Unearned and unavailable 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.

Unavailable Property Tax Revenue – Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$419,040 at June 30, 2013.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2013, but in advance by the taxpayers totaled \$41,651 at June 30, 2013.

Discretely Presented School Board – Unearned revenue represented unexpended NASA and Harvest Foundation grant funds totaling \$32,675 at June 30, 2013.

Note 11—Contingent Liabilities:

Federal programs in which the City and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 12—Litigation:

At June 30, 2013, there were no matters of litigation involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to such entities.

Note 13—Risk Management:

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

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:

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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least ten years of service credit.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 14—Defined Benefit Pension Plan: (Continued)

A. Plan Description (Continued)

- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. 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.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 14—Defined Benefit Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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 Code of Virginia and approved by the VRS Board of Trustees. The City's and School's non-professional employee contribution rates for the fiscal year ended 2013 were 18.47% and 23.73% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,311,060, \$735,293 and \$1,094,073, to the teacher cost-sharing pool for the fiscal years ended June 30, 2013, 2012 and 2011, respectively and these contributions represented 11.66%, 6.33% and 3.93%, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the City's annual pension cost of \$2,296,745 was equal to the City's required and actual contributions.

For fiscal year 2013, the School Board's annual pension cost for the School Board's non-professional employees was \$113,699 which was equal to the School 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, 2013	\$	2,296,745	100%	\$	-
June 30, 2012		2,010,693	100%		-
June 30, 2011		2,016,179	100%		-
School Board:					
Non-Professional:					
June 30, 2013	\$	113,699	100%	\$	-
June 30, 2012		87,135	100%		-
June 30, 2011		87,198	100%		-

(1) Employer portion only

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements As of June 30, 2013 (Continued)

Note 14—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan 1 employees and 2.25% for Plan 2 employees. 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. City 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, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the City's plan was 66.21% funded. The actuarial accrued liability for benefits was \$90,437,184, and the actuarial value of assets was \$59,882,604, resulting in an unfunded actuarial accrued liability (UAAL) of \$30,554,580. The covered payroll (annual payroll of active employees covered by the plan) was \$12,643,439, and ratio of the UAAL to the covered payroll was 241.66%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's plan was 59.51% funded. The actuarial accrued liability for benefits was \$4,335,959, and the actuarial value of assets was \$2,580,242, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,755,717. The covered payroll (annual payroll of active employees covered by the plan) was \$512,559, and ratio of the UAAL to the covered payroll was 342.54%.

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 (AAL) for benefits.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 15—Surety Bonds:

	<u>Amount</u>
Travelers Casualty and Surety Company of America - Surety Faithful Performance of Duty Schedule Position Bond:	
Commonwealth Funds	
Ashby R. Pritchett, Clerk of the Circuit Court	\$ 103,000
Cindy Dickerson, Treasurer and/or Linda Conover, Director of Finance	500,000
Ruth Easley, Commissioner of the Revenue	3,000
Steve M. Draper, Sheriff	30,000
Lumberman's Mutual Casualty Company - Surety City funds	
Cindy Dickerson, Treasurer	250,000
Virginia Municipal League - Surety	
All School Board employees - blanket bond	
VACORP - Surety	
All City employees - blanket bond	
Honesty	100,000
Faithful performance	1,000,000

Note 16—Other Postemployment Benefits—Health Insurance:

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 between \$232 and \$252 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 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, 2013 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (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	\$ 229,000
Interest on net OPEB obligation	6,000
Adjustment to annual required contribution	<u>(6,000)</u>
Annual OPEB cost (expense)	229,000
Contributions made	<u>(205,000)</u>
Increase (decrease) in net OPEB obligation	\$ 24,000
Net OPEB obligation - beginning of year	<u>151,000</u>
Net OPEB obligation - end of year	<u><u>\$ 175,000</u></u>

For 2013, the City's expected cash payment of \$205,000 is less than the OPEB cost (expense) of \$229,000 and was \$24,000 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 2013 and the preceding two years 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, 2011	\$ 233,000	98.6%	\$ 106,000
June 30, 2012	237,000	75.5%	151,000
June 30, 2013	229,000	89.5%	175,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)

Primary Government: (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 is as follows:

Actuarial accrued liability (AAL)	\$	3,603,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		3,603,000
Funded ratio (actuarial value of plan assets/AAL)		n/a
Covered payroll (active plan members)		8,996,000
UAAL as a percentage of covered payroll		40.10%

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.

E. 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 July 1, 2012, most recent actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.25% average investment rate of 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 9.5% 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 July 1, 2012, was thirty years.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)

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 prior to July 1, 2005, who have participated in the School Board's medical program in the prior plan year and have attained 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.

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

The School Board's annual other postemployment benefit (OPEB) cost (expense) 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 the 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	\$ 64,000
Interest on net OPEB obligation	5,000
Adjustment to annual required contribution	<u>(6,000)</u>
Annual OPEB cost (expense)	63,000
Contributions made	<u>(81,000)</u>
Increase (decrease) in net OPEB obligation	\$ (18,000)
Net OPEB obligation - beginning of year	<u>128,000</u>
Net OPEB obligation - end of year	<u><u>\$ 110,000</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)

Discretely Presented Component Unit-School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the preceding two years 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, 2011	\$ 151,000	88.1%	\$ 115,000
June 30, 2012	153,000	91.5%	128,000
June 30, 2013	63,000	128.6%	110,000

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 is as follows:

Actuarial accrued liability (AAL)	\$ 929,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	929,000
Funded ratio (actuarial value of plan assets/AAL)	n/a
Covered payroll (active plan members)	6,365,000
UAAL as a percentage of covered payroll	14.60%

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.

E. 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)

Discretely Presented Component Unit-School Board: (Continued)

E. Actuarial Methods and Assumptions (Continued)

In the July 1, 2012, most recent actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.25% average investment rate of 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 9.5% 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 July 1, 2012, was thirty years.

Note 17—VRS Health Insurance Credit Other Postemployment Benefits (OPEB):

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 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2013, 2012, and 2011 were \$124,809, \$69,696, and \$73,331, respectively and equaled the required contributions for each year.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 18—Commitments and Contingencies:

Federal programs in which the City and its 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 disallowances of current grant program expenditures, if any, would be immaterial.

At June 30, 2013, the City had several major projects underway, which are presented in the financial statements as construction in progress. Presented is a list of major projects, contract amounts, expenditures to date, and balances of contracts remaining:

Project	Contract Amount	Expenditures to Date	Balance of Contract
High School Improvements	\$ 8,014,316	\$ 6,505,837	\$ 1,508,479
Liberty Street project phase one	2,866,694	1,043,313	1,823,381
Liberty Street project right of way phase one	201,925	182,509	19,416
Liberty Street project phase two	490,000	261,931	228,069

Note 19—Adoption of Accounting Principles:

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The City implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The City implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 20—Upcoming Pronouncements:

The GASB has issued Statement No. 68, “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.” This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014 (fiscal year ended June 30, 2015). The City has not determined the impact of this pronouncement on its financial statements.

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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, 2013

	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 8,842,866	\$ 8,842,866	\$ 8,760,993	\$ (81,873)
Other local taxes	5,373,100	5,373,100	5,128,371	(244,729)
Permits, privilege fees and regulatory licenses	107,665	107,665	145,833	38,168
Fines and forfeitures	137,500	137,804	164,533	26,729
Revenue from use of money and property	666,487	674,377	608,808	(65,569)
Charges for services	899,620	899,620	794,328	(105,292)
Miscellaneous	170,641	173,593	226,835	53,242
Recovered costs	881,596	1,024,800	991,218	(33,582)
Intergovernmental:				
Commonwealth	8,424,384	8,665,404	8,870,660	205,256
Federal	131,793	2,403,127	2,061,261	(341,866)
Total revenues	\$ 25,635,652	\$ 28,302,356	\$ 27,752,840	\$ (549,516)
Expenditures:				
Current:				
General government administration	\$ 4,293,534	\$ 4,391,558	\$ 3,956,860	\$ 434,698
Judicial administration	2,087,049	2,135,300	1,983,255	152,045
Public safety	9,576,037	9,823,217	9,165,056	658,161
Public works	4,206,021	6,964,411	6,622,533	341,878
Health and welfare	568,777	574,836	792,657	(217,821)
Education	5,678,483	5,678,483	5,139,847	538,636
Parks, recreation, and cultural	1,346,887	1,367,621	1,068,617	299,004
Community development	1,163,770	1,739,378	1,665,024	74,354
Debt service:				
Principal retirement	38,405	38,405	38,405	-
Interest and other fiscal charges	832	832	-	832
Total expenditures	\$ 28,959,795	\$ 32,714,041	\$ 30,432,254	\$ 2,281,787
Excess (deficiency) of revenues over (under) expenditures	\$ (3,324,143)	\$ (4,411,685)	\$ (2,679,414)	\$ 1,732,271
Other financing sources (uses):				
Transfers in	\$ 2,534,316	\$ 2,534,316	\$ 2,534,316	\$ -
Total other financing sources (uses)	\$ 2,534,316	\$ 2,534,316	\$ 2,534,316	\$ -
Changes in fund balances	\$ (789,827)	\$ (1,877,369)	\$ (145,098)	\$ 1,732,271
Fund balances at beginning of year	789,827	1,877,369	7,374,285	5,496,916
Fund balances at end of year	\$ -	\$ -	\$ 7,229,187	\$ 7,229,187

City Grants Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Revenue from use of money and property	\$ 30,505	\$ 30,505	\$ 36,959	\$ 6,454
Intergovernmental:				
Commonwealth	-	-	8,196	8,196
Federal	-	25,350	183,044	157,694
Total revenues	<u>\$ 30,505</u>	<u>\$ 55,855</u>	<u>\$ 228,199</u>	<u>\$ 172,344</u>
Expenditures:				
Current:				
Community development	<u>\$ 171,164</u>	<u>\$ 212,907</u>	<u>\$ 237,973</u>	<u>\$ (25,066)</u>
Changes in fund balances	\$ (140,659)	\$ (157,052)	\$ (9,774)	\$ 147,278
Fund balances at beginning of year	<u>140,659</u>	<u>157,052</u>	<u>(583,105)</u>	<u>(740,157)</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (592,879)</u>	<u>\$ (592,879)</u>

Schedule of Pension Funding Progress for the Virginia Retirement System
Last Three Fiscal Years

City

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2)/(3)	Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 59,882,604	\$ 90,437,184	\$ 30,554,580	66.21%	\$ 12,643,439	241.66%
6/30/2011	60,909,280	88,139,122	27,229,842	69.11%	12,705,075	214.32%
6/30/2010	60,665,180	86,662,667	25,997,487	70.00%	12,860,060	202.16%

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2)/(3)	Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 2,580,242	\$ 4,335,959	\$ 1,755,717	59.51%	\$ 512,559	342.54%
6/30/2011	2,771,280	4,271,583	1,500,303	64.88%	508,005	295.33%
6/30/2010	2,970,367	4,288,461	1,318,094	69.26%	613,431	214.87%

Schedule of OPEB Funding Progress
Last Two Fiscal Years

City

Actuarial Valuation Date*	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2)/(3)	Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2012	\$ -	\$ 3,603,000	\$ 3,603,000	0.00%	\$ 8,996,000	40.05%
7/1/2009	-	3,515,000	3,515,000	0.00%	11,208,000	31.36%

Discretely Presented Component Unit - School Board

Actuarial Valuation Date*	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2)/(3)	Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2012	\$ -	\$ 929,000	\$ 929,000	0.00%	\$ 6,365,000	14.60%
7/1/2009	-	2,151,000	2,151,000	0.00%	9,354,000	23.00%

* OPEB valuations are performed every three years and the valuation at July 1, 2009 was the first

Other Supplementary Information

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Combining and Individual Fund Statements and Schedules

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Meals Tax Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Other local taxes	\$ 1,498,000	\$ 1,498,000	\$ 1,552,032	\$ 54,032
Revenue from use of money and property	-	-	17,817	17,817
Intergovernmental:				
Federal	<u>395,250</u>	<u>395,250</u>	<u>378,057</u>	<u>(17,193)</u>
Total revenues	<u>\$ 1,893,250</u>	<u>\$ 1,893,250</u>	<u>\$ 1,947,906</u>	<u>\$ 54,656</u>
Expenditures:				
Current:				
General government administration	\$ 48,954	\$ 48,954	\$ 48,954	\$ -
Education	-	8,731,416	7,337,781	1,393,635
Debt service:				
Principal retirement	877,143	877,143	877,143	-
Interest and other fiscal charges	<u>647,980</u>	<u>647,980</u>	<u>647,980</u>	<u>-</u>
Total expenditures	<u>\$ 1,574,077</u>	<u>\$ 10,305,493</u>	<u>\$ 8,911,858</u>	<u>\$ 1,393,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 319,173</u>	<u>\$ (8,412,243)</u>	<u>\$ (6,963,952)</u>	<u>\$ 1,448,291</u>
Other financing sources (uses):				
Transfers (out)	<u>\$ (319,173)</u>	<u>\$ (319,173)</u>	<u>\$ (319,173)</u>	<u>\$ -</u>
Changes in fund balances	\$ -	\$ (8,731,416)	\$ (7,283,125)	\$ 1,448,291
Fund balances at beginning of year	<u>-</u>	<u>8,731,416</u>	<u>9,519,913</u>	<u>788,497</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,236,788</u></u>	<u><u>\$ 2,236,788</u></u>

Nonmajor Governmental Funds
Combining Balance Sheet
At June 30, 2013

	Special Revenue Fund	Capital Projects Fund	
	Housing Choice Fund	Capital Reserve Fund	Total
ASSETS			
Cash and cash equivalents	\$ 239,504	\$ 336,882	\$ 576,386
Cash and cash equivalents - restricted	-	62,114	62,114
Accounts receivable	-	7,500	7,500
Prepaid items	-	477,955	477,955
Total assets	<u>\$ 239,504</u>	<u>\$ 884,451</u>	<u>\$ 1,123,955</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 4,296	\$ 50,354	\$ 54,650
Due to other funds	<u>223,399</u>	<u>-</u>	<u>223,399</u>
Total liabilities	<u>\$ 227,695</u>	<u>\$ 50,354</u>	<u>\$ 278,049</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ -	\$ 477,955	\$ 477,955
Restricted:			
Capital projects	-	62,114	62,114
Committed:			
Housing Choice program	11,809	-	11,809
Assigned:			
Capital reserve fund	<u>-</u>	<u>294,028</u>	<u>294,028</u>
Total fund balances	<u>\$ 11,809</u>	<u>\$ 834,097</u>	<u>\$ 845,906</u>
Total liabilities and fund balances	<u>\$ 239,504</u>	<u>\$ 884,451</u>	<u>\$ 1,123,955</u>

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2013

	Special Revenue Fund	Capital Projects Fund	
	Housing Choice Fund	Capital Reserve Fund	Total
Revenues:			
Revenue from use of money and property	\$ 16,669	\$ 4,736	\$ 21,405
Miscellaneous	4,187	31,978	36,165
Intergovernmental:			
Commonwealth	-	48,840	48,840
Federal	1,625,231	12,000	1,637,231
Total revenues	\$ 1,646,087	\$ 97,554	\$ 1,743,641
Expenditures:			
General government administration	\$ -	\$ 740,166	\$ 740,166
Public safety	-	414,322	414,322
Public works	-	15,000	15,000
Planning and community development	1,914,339	-	1,914,339
Debt service:			
Principal retirement	-	252,184	252,184
Interest and fiscal charges	-	69,971	69,971
Total expenditures	\$ 1,914,339	\$ 1,491,643	\$ 3,405,982
Excess (deficiency) of revenues over (under) expenditures	\$ (268,252)	\$ (1,394,089)	\$ (1,662,341)
Other financing sources:			
Issuance of capital lease	\$ -	\$ 460,000	\$ 460,000
Transfers in	-	528,548	528,548
Total other financing sources	\$ -	\$ 988,548	\$ 988,548
Changes in fund balances	\$ (268,252)	\$ (405,541)	\$ (673,793)
Fund balances at beginning of year	280,061	1,239,638	1,519,699
Fund balances at end of year	\$ 11,809	\$ 834,097	\$ 845,906

CITY OF MARTINSVILLE, VIRGINIA

Nonmajor Governmental Funds

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

Year Ended June 30, 2013

	Special Revenues Fund			
	Housing Choice Fund			
	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	\$ 17,200	\$ 17,200	\$ 16,669	\$ (531)
Miscellaneous	6,000	6,000	4,187	(1,813)
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	1,950,000	1,950,000	1,625,231	(324,769)
Total revenues	\$ 1,973,200	\$ 1,973,200	\$ 1,646,087	\$ (327,113)
Expenditures:				
General government administration	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Parks, recreation, and cultural	-	-	-	-
Community development	2,227,252	2,251,903	1,914,339	337,564
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	\$ 2,227,252	\$ 2,251,903	\$ 1,914,339	\$ 337,564
Excess (deficiency) of revenues over (under) expenditures	\$ (254,052)	\$ (278,703)	\$ (268,252)	\$ 10,451
Other financing sources (uses):				
Issuance of debt	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ (254,052)	\$ (278,703)	\$ (268,252)	\$ 10,451
Fund balances at beginning of year	254,052	278,703	280,061	1,358
Fund balances at end of year	\$ -	\$ -	\$ 11,809	\$ 11,809

Exhibit 17

Capital Projects Fund			
Capital Reserve Fund			
Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
\$ 2,500	\$ 2,500	\$ 4,736	\$ 2,236
-	22,185	31,978	9,793
30,000	46,187	48,840	2,653
3,375	3,375	12,000	8,625
\$ 35,875	\$ 74,247	\$ 97,554	\$ 23,307
\$ 242,700	\$ 1,018,709	\$ 740,166	\$ 278,543
645,750	904,236	414,322	489,914
-	15,000	15,000	-
-	-	-	-
252,184	252,184	252,184	-
69,971	69,971	69,971	-
\$ 1,210,605	\$ 2,260,100	\$ 1,491,643	\$ 768,457
\$ (1,174,730)	\$ (2,185,853)	\$ (1,394,089)	\$ 791,764
\$ 475,000	\$ 475,000	\$ 460,000	\$ (15,000)
528,548	528,548	528,548	-
\$ 1,003,548	\$ 1,003,548	\$ 988,548	\$ (15,000)
\$ (171,182)	\$ (1,182,305)	\$ (405,541)	\$ 776,764
171,182	1,182,305	1,239,638	57,333
\$ -	\$ -	\$ 834,097	\$ 834,097

Combining Statement of Fiduciary Net Position -
 Agency Funds
 At June 30, 2013

	<u>Insurance Trust Fund</u>	<u>Inmate Welfare 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>
ASSETS						
Cash and cash equivalents	\$ 340,524	\$ 82,723	\$ 83,726	\$ 516,520	\$ 71,806	\$ 1,095,299
Total assets	<u>\$ 340,524</u>	<u>\$ 82,723</u>	<u>\$ 83,726</u>	<u>\$ 516,520</u>	<u>\$ 71,806</u>	<u>\$ 1,095,299</u>
LIABILITIES						
Accounts payable	\$ -	\$ 126	\$ 10,754	\$ 9,546	\$ 14,086	\$ 34,512
Amounts held for others	<u>340,524</u>	<u>82,597</u>	<u>72,972</u>	<u>506,974</u>	<u>57,720</u>	<u>1,060,787</u>
Total liabilities	<u>\$ 340,524</u>	<u>\$ 82,723</u>	<u>\$ 83,726</u>	<u>\$ 516,520</u>	<u>\$ 71,806</u>	<u>\$ 1,095,299</u>

Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Insurance Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 467,908	\$ 3,786,529	\$ 3,913,913	\$ 340,524
Total assets	<u>\$ 467,908</u>	<u>\$ 3,786,529</u>	<u>\$ 3,913,913</u>	<u>\$ 340,524</u>
Liabilities:				
Amounts held for others	\$ 467,908	\$ 3,786,529	\$ 3,913,913	\$ 340,524
Total liabilities	<u>\$ 467,908</u>	<u>\$ 3,786,529</u>	<u>\$ 3,913,913</u>	<u>\$ 340,524</u>
Inmate Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 97,474	\$ 43,827	\$ 58,578	\$ 82,723
Total assets	<u>\$ 97,474</u>	<u>\$ 43,827</u>	<u>\$ 58,578</u>	<u>\$ 82,723</u>
Liabilities:				
Accounts payable	\$ 134	\$ 126	\$ 134	\$ 126
Amounts held for others	97,340	43,701	58,444	82,597
Total liabilities	<u>\$ 97,474</u>	<u>\$ 43,827</u>	<u>\$ 58,578</u>	<u>\$ 82,723</u>
West Piedmont Business Development Center Fund:				
Assets:				
Cash and cash equivalents	\$ 88,738	\$ 124,670	\$ 129,682	\$ 83,726
Total assets	<u>\$ 88,738</u>	<u>\$ 124,670</u>	<u>\$ 129,682</u>	<u>\$ 83,726</u>
Liabilities:				
Accounts payable	\$ 7,689	\$ 10,754	\$ 7,689	\$ 10,754
Amounts held for others	81,049	113,916	121,993	72,972
Total liabilities	<u>\$ 88,738</u>	<u>\$ 124,670</u>	<u>\$ 129,682</u>	<u>\$ 83,726</u>
Police Academy Fund:				
Assets:				
Cash and cash equivalents	\$ 508,963	\$ 285,497	\$ 277,940	\$ 516,520
Total assets	<u>\$ 508,963</u>	<u>\$ 285,497</u>	<u>\$ 277,940</u>	<u>\$ 516,520</u>
Liabilities:				
Accounts payable	\$ 6,321	\$ 9,546	\$ 6,321	\$ 9,546
Amounts held for others	502,642	275,951	271,619	506,974
Total liabilities	<u>\$ 508,963</u>	<u>\$ 285,497</u>	<u>\$ 277,940</u>	<u>\$ 516,520</u>
Southern Virginia Recreation Facilities Authority:				
Assets:				
Cash and cash equivalents	\$ 95,617	\$ 514,965	\$ 538,776	\$ 71,806
Total assets	<u>\$ 95,617</u>	<u>\$ 514,965</u>	<u>\$ 538,776</u>	<u>\$ 71,806</u>
Liabilities:				
Accounts payable	\$ 14,592	\$ 14,086	\$ 14,592	\$ 14,086
Amounts held for others	81,025	500,879	524,184	57,720
Total liabilities	<u>\$ 95,617</u>	<u>\$ 514,965</u>	<u>\$ 538,776</u>	<u>\$ 71,806</u>
Total -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 1,258,700	\$ 4,755,488	\$ 4,918,889	\$ 1,095,299
Total assets	<u>\$ 1,258,700</u>	<u>\$ 4,755,488</u>	<u>\$ 4,918,889</u>	<u>\$ 1,095,299</u>
Liabilities:				
Accounts payable	\$ 28,736	\$ 34,512	\$ 28,736	\$ 34,512
Amounts held for others	1,229,964	4,720,976	4,890,153	1,060,787
Total liabilities	<u>\$ 1,258,700</u>	<u>\$ 4,755,488</u>	<u>\$ 4,918,889</u>	<u>\$ 1,095,299</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, 2013

	School Operating Fund	School Cafeteria Fund	School Grants Fund	Totals
ASSETS				
Assets:				
Cash and cash equivalents	\$ 894,926	\$ 980,901	\$ -	\$ 1,875,827
Accounts receivable	144,820	-	-	144,820
Due from other governments	332,772	-	365,862	698,634
Due from other funds	188,625	-	-	188,625
Total assets	<u>\$ 1,561,143</u>	<u>\$ 980,901</u>	<u>\$ 365,862</u>	<u>\$ 2,907,906</u>
LIABILITIES				
Accounts payable	\$ 739,284	\$ 24,557	\$ 61,546	\$ 825,387
Unearned revenue	32,675	-	-	32,675
Accrued liabilities	789,184	22,816	108,977	920,977
Due to other funds	-	-	188,625	188,625
Total liabilities	<u>\$ 1,561,143</u>	<u>\$ 47,373</u>	<u>\$ 359,148</u>	<u>\$ 1,967,664</u>
FUND BALANCES				
Committed to:				
School food program	\$ -	\$ 933,528	\$ -	\$ 933,528
Education	-	-	6,714	6,714
Total fund balances	<u>\$ -</u>	<u>\$ 933,528</u>	<u>\$ 6,714</u>	<u>\$ 940,242</u>
Total liabilities and fund balances	<u>\$ 1,561,143</u>	<u>\$ 980,901</u>	<u>\$ 365,862</u>	<u>\$ 2,907,906</u>

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

Total Fund balances, above \$ 940,242

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. 7,801,753

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

Details supporting this adjustment are as follows:

Net OPEB obligation	(110,000)
Net position of General Government Activities	<u>\$ 8,631,995</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 Year Ended June 30, 2013

	School Operating Fund	School Cafeteria Fund	School Grants Fund	Total
Revenues:				
Revenue from use of money and property	\$ 41,280	\$ 1,440	\$ -	\$ 42,720
Charges for services	7,025	424,964	-	431,989
Miscellaneous	212,013	-	-	212,013
Recovered costs	572,437	-	-	572,437
Intergovernmental:				
Local government	5,122,127	-	-	5,122,127
Commonwealth	14,034,107	32,729	-	14,066,836
Federal	294,535	1,090,972	2,337,505	3,723,012
Total revenues	<u>\$ 20,283,524</u>	<u>\$ 1,550,105</u>	<u>\$ 2,337,505</u>	<u>\$ 24,171,134</u>
Expenditures:				
Current:				
Education	<u>\$ 20,283,524</u>	<u>\$ 1,476,828</u>	<u>\$ 2,353,851</u>	<u>\$ 24,114,203</u>
Total expenditures	<u>\$ 20,283,524</u>	<u>\$ 1,476,828</u>	<u>\$ 2,353,851</u>	<u>\$ 24,114,203</u>
Changes in fund balances	\$ -	\$ 73,277	\$ (16,346)	\$ 56,931
Fund balances at beginning of year	<u>-</u>	<u>860,251</u>	<u>23,060</u>	<u>883,311</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ 933,528</u></u>	<u><u>\$ 6,714</u></u>	<u><u>\$ 940,242</u></u>

Discretely Presented Component Unit - School Board
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2013

Net changes in fund balances - total governmental funds	\$ 56,931
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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	155,033
Depreciation expense	(480,489)

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.	521,862
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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.

Details supporting this adjustment are as follows:

Net OPEB obligation	<u>18,000</u>
Changes in net position of governmental activities	<u>\$ 271,337</u>

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, 2013

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
Revenue from use of money and property	\$ 40,000	\$ 41,056	\$ 41,280	\$ 224
Charges for services	5,000	5,000	7,025	2,025
Miscellaneous	-	140,000	212,013	72,013
Recovered costs	384,132	432,465	572,437	139,972
Intergovernmental:				
Local government	5,660,763	5,660,763	5,122,127	(538,636)
Commonwealth	13,765,518	13,792,202	14,034,107	241,905
Federal	364,535	409,535	294,535	(115,000)
Total revenues	\$ 20,219,948	\$ 20,481,021	\$ 20,283,524	\$ (197,497)
Expenditures:				
Current:				
Education	\$ 20,219,948	\$ 20,589,319	\$ 20,283,524	\$ 305,795
Total expenditures	\$ 20,219,948	\$ 20,589,319	\$ 20,283,524	\$ 305,795
Changes in fund balances	\$ -	\$ (108,298)	\$ -	\$ 108,298
Fund balances at beginning of year	-	108,298	-	(108,298)
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -

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)
\$ 2,300	\$ 2,300	\$ 1,440	\$ (860)	\$ -	\$ -	\$ -	\$ -
548,400	548,400	424,964	(123,436)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
28,161	28,161	32,729	4,568	-	-	-	-
733,977	733,977	1,090,972	356,995	-	2,150,421	2,337,505	187,084
<u>\$ 1,312,838</u>	<u>\$ 1,312,838</u>	<u>\$ 1,550,105</u>	<u>\$ 237,267</u>	<u>\$ -</u>	<u>\$ 2,150,421</u>	<u>\$ 2,337,505</u>	<u>\$ 187,084</u>
<u>\$ 1,357,598</u>	<u>\$ 1,357,598</u>	<u>\$ 1,476,828</u>	<u>\$ (119,230)</u>	<u>\$ -</u>	<u>\$ 2,150,421</u>	<u>\$ 2,353,851</u>	<u>\$ (203,430)</u>
<u>\$ 1,357,598</u>	<u>\$ 1,357,598</u>	<u>\$ 1,476,828</u>	<u>\$ (119,230)</u>	<u>\$ -</u>	<u>\$ 2,150,421</u>	<u>\$ 2,353,851</u>	<u>\$ (203,430)</u>
\$ (44,760)	\$ (44,760)	\$ 73,277	\$ 118,037	\$ -	\$ -	\$ (16,346)	\$ (16,346)
44,760	44,760	860,251	815,491	-	-	23,060	23,060
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 933,528</u>	<u>\$ 933,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,714</u>	<u>\$ 6,714</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, 2013

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,810,366	\$ 6,810,366	\$ 6,699,562	\$ (110,804)
Real and personal public service corporation taxes	230,000	230,000	238,883	8,883
Personal property taxes	605,000	605,000	675,663	70,663
Business equipment	917,500	917,500	824,817	(92,683)
Machinery and tools taxes	110,000	110,000	129,807	19,807
Penalties	102,000	102,000	105,700	3,700
Interest and costs	68,000	68,000	86,561	18,561
Total general property taxes	<u>\$ 8,842,866</u>	<u>\$ 8,842,866</u>	<u>\$ 8,760,993</u>	<u>\$ (81,873)</u>
Other local taxes:				
Local sales and use taxes	\$ 1,900,000	\$ 1,900,000	\$ 1,886,892	\$ (13,108)
Consumers' utility taxes	728,600	728,600	684,046	(44,554)
Business license tax	1,938,000	1,938,000	1,769,645	(168,355)
Franchise license taxes	15,000	15,000	15,000	-
Motor vehicle licenses	320,000	320,000	323,927	3,927
Bank franchise tax	254,000	254,000	234,918	(19,082)
Taxes on recordation and wills	45,000	45,000	51,133	6,133
Grantor tax	11,000	11,000	10,076	(924)
Cigarette tax	145,000	145,000	135,989	(9,011)
Rental tax	500	500	367	(133)
Transient room tax	16,000	16,000	16,378	378
Total other local taxes	<u>\$ 5,373,100</u>	<u>\$ 5,373,100</u>	<u>\$ 5,128,371</u>	<u>\$ (244,729)</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 4,771	\$ (229)
Other permits and licenses	102,665	102,665	141,062	38,397
Total permits, privilege fees and regulatory licenses	<u>\$ 107,665</u>	<u>\$ 107,665</u>	<u>\$ 145,833</u>	<u>\$ 38,168</u>
Fines and Forfeitures:				
Court fines and forfeitures	\$ 135,000	\$ 135,000	\$ 160,584	\$ 25,584
Other fines and forfeitures	2,500	2,804	3,949	1,145
Total fines and forfeitures	<u>\$ 137,500</u>	<u>\$ 137,804</u>	<u>\$ 164,533</u>	<u>\$ 26,729</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 25,619	\$ 25,619
Revenue from use of property	666,487	674,377	583,189	(91,188)
Total revenue from use of money and property	\$ 666,487	\$ 674,377	\$ 608,808	\$ (65,569)
Charges for services:				
Sheriff fees	\$ 3,624	\$ 3,624	\$ 5,305	\$ 1,681
Courthouse maintenance fees	11,000	11,000	9,545	(1,455)
Court appointed attorney fees	7,000	7,000	9,840	2,840
Court house security fees	24,000	24,000	21,837	(2,163)
Ambulance Fees	480,000	480,000	452,018	(27,982)
Document reproduction fee	3,000	3,000	2,927	(73)
Remote access fee	3,000	3,000	5,034	2,034
Commonwealth attorney fees	1,800	1,800	2,846	1,046
Other public safety fees	7,100	7,100	6,725	(375)
Recreation fees	15,300	15,300	11,528	(3,772)
Prison farm labor / street maintenance	24,000	24,000	24,000	-
Martinsville mustangs fees	134,800	134,800	39,940	(94,860)
Other charges for services	184,996	184,996	202,783	17,787
Total charges for services	\$ 899,620	\$ 899,620	\$ 794,328	\$ (105,292)
Miscellaneous revenue:				
Payment in lieu of tax	\$ 142,241	\$ 142,241	\$ 142,241	\$ -
Other miscellaneous revenue	28,400	31,352	84,594	53,242
Total miscellaneous revenue	\$ 170,641	\$ 173,593	\$ 226,835	\$ 53,242
Recovered costs:				
WW Moore	\$ 30,000	\$ 30,000	\$ 27,819	\$ (2,181)
SSI / LIDS	3,000	3,000	4,800	1,800
Juvenile and domestic relations court	1,000	1,000	2,798	1,798
Meals tax administration	48,954	48,954	48,954	-
Street maintenance overhead	-	-	11,388	11,388
Demolition	2,000	2,000	9,105	7,105
Advance / recovered cost	100,000	221,263	181,158	(40,105)
Health department	-	6,059	6,402	343
Juror and witness	12,000	12,000	9,810	(2,190)
Medical co-pay reimbursement	5,000	5,000	7,200	2,200
Treasurer	10,000	10,000	15,518	5,518
Project lifesaver	2,000	2,000	1,287	(713)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Recovered costs: (Continued)				
DUI reimbursement	\$ 5,000	\$ 5,000	\$ 3,686	\$ (1,314)
Collection expense	9,000	9,000	9,000	-
Billing expense	471,550	471,550	453,618	(17,932)
Safety expense	94,320	94,320	94,320	-
Communication	22,412	22,412	22,412	-
Central garage	30,320	30,320	30,320	-
Engineering	10,000	10,000	-	(10,000)
Senior citizens	6,440	21,822	20,491	(1,331)
Social services	11,000	11,000	23,526	12,526
Program income	1,000	1,000	1,022	22
Fire training	-	500	500	-
Senior citizens - transportation	3,000	3,000	2,484	(516)
Fiscal agent fees - regional library	3,600	3,600	3,600	-
Total recovered costs	\$ 881,596	\$ 1,024,800	\$ 991,218	\$ (33,582)
Total revenue from local sources	\$ 17,079,475	\$ 17,233,825	\$ 16,820,919	\$ (412,906)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 8,000	\$ 8,000	\$ 9,153	\$ 1,153
Recordation tax	15,000	15,000	14,542	(458)
PPTRA	626,428	626,428	626,428	-
Communications tax	925,000	925,000	935,756	10,756
Auto rental tax	45,000	45,000	57,062	12,062
Total noncategorical aid	\$ 1,619,428	\$ 1,619,428	\$ 1,642,941	\$ 23,513
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 446,041	\$ 446,041	\$ 444,863	\$ (1,178)
Sheriff	1,773,050	1,773,050	1,773,147	97
Commissioner of the Revenue	96,209	96,209	96,096	(113)
Treasurer	72,275	72,275	72,331	56
Registrar/electoral board	35,645	35,645	35,212	(433)
Clerk of the circuit court	260,837	279,082	276,606	(2,476)
Total shared expenses	\$ 2,684,057	\$ 2,702,302	\$ 2,698,255	\$ (4,047)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Senior citizens	\$ 11,000	\$ 11,000	\$ 12,769	\$ 1,769
Confiscated assets	-	3,978	3,977	(1)
Victim witness	19,589	19,589	17,768	(1,821)
House Bill # 599 - police	841,560	841,560	841,560	-
EMS two for life	10,000	11,782	11,782	-
Fire grant	35,251	39,419	39,419	-
Street maintenance	2,878,499	2,878,499	2,875,835	(2,664)
Jail per diem	300,000	300,000	327,672	27,672
Comprehensive services	25,000	25,000	146,616	121,616
Street construction	-	183,316	183,316	-
Other categorical aid	-	29,531	68,750	39,219
Total other categorical aid	\$ 4,120,899	\$ 4,343,674	\$ 4,529,464	\$ 185,790
Total categorical aid	\$ 6,804,956	\$ 7,045,976	\$ 7,227,719	\$ 181,743
Total revenue from the Commonwealth	\$ 8,424,384	\$ 8,665,404	\$ 8,870,660	\$ 205,256
Revenue from the federal government:				
Categorical aid:				
Victim witness	\$ 53,303	\$ 53,303	\$ 53,303	\$ -
DMV grant - police	25,450	25,450	11,863	(13,587)
Senior citizens	20,000	20,000	15,019	(4,981)
SCAAP funds	-	1,236	1,236	-
Viper overtime grant	10,000	10,000	4,879	(5,121)
Safe routes to schools grant	-	311,690	61,424	(250,266)
Bulletproof vest grant	-	-	2,372	2,372
National guard armory	23,040	23,040	22,457	(583)
Street construction	-	1,950,961	1,867,770	(83,191)
FEMA	-	-	18,192	18,192
Other categorical aid	-	7,447	2,746	(4,701)
Total categorical aid	\$ 131,793	\$ 2,403,127	\$ 2,061,261	\$ (341,866)
Total revenue from the Federal Government	\$ 131,793	\$ 2,403,127	\$ 2,061,261	\$ (341,866)
Total General Fund	\$ 25,635,652	\$ 28,302,356	\$ 27,752,840	\$ (549,516)
Special Revenue Funds:				
City Grants Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 2,535	\$ 2,535	\$ 1,163	\$ (1,372)
Revenue from use of property	27,970	27,970	35,796	7,826
Total revenue from use of money and property	\$ 30,505	\$ 30,505	\$ 36,959	\$ 6,454

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Special Revenue Funds: (Continued)				
City Grants Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Phoenix facade grants	\$ -	\$ -	\$ 8,196	\$ 8,196
Revenue from the federal government:				
Categorical aid:				
Neighborhood stabilization program	\$ -	\$ 25,350	\$ 63,988	\$ 38,638
Uptown planning grant	-	-	25,527	25,527
Cherry street planning grant	-	-	93,529	93,529
Total revenue from the Federal Government	\$ -	\$ 25,350	\$ 183,044	\$ 157,694
Total City Grants Fund	\$ 30,505	\$ 55,855	\$ 228,199	\$ 172,344
Housing Choice Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 100	\$ 100	\$ 469	\$ 369
Revenue from use of property	17,100	17,100	16,200	(900)
Total revenue from use of money and property	\$ 17,200	\$ 17,200	\$ 16,669	\$ (531)
Miscellaneous revenue:				
Fraud recoveries	\$ 6,000	\$ 6,000	\$ 3,456	\$ (2,544)
Other recovered costs	-	-	648	648
Other miscellaneous revenue	-	-	83	83
Total miscellaneous revenue	\$ 6,000	\$ 6,000	\$ 4,187	\$ (1,813)
Total revenue from local sources	\$ 23,200	\$ 23,200	\$ 20,856	\$ (2,344)
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Housing assistance	\$ 1,700,000	\$ 1,700,000	\$ 1,439,459	\$ (260,541)
Moderate rehab. assistance	30,000	30,000	-	(30,000)
Other federal assistance	220,000	220,000	185,772	(34,228)
Total revenue from the Federal Government	\$ 1,950,000	\$ 1,950,000	\$ 1,625,231	\$ (324,769)
Total Housing Choice Fund	\$ 1,973,200	\$ 1,973,200	\$ 1,646,087	\$ (327,113)
Total Special Revenue Funds	\$ 2,003,705	\$ 2,029,055	\$ 1,874,286	\$ (154,769)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive Negative
Primary Government: (Continued)				
Capital Projects Funds:				
Capital Reserve Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 2,500	\$ 2,500	\$ 4,736	\$ 2,236
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 22,185	\$ 31,978	\$ 9,793
Total revenue from local sources	\$ 2,500	\$ 24,685	\$ 36,714	\$ 12,029
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Rescue squad assistance fund	\$ 30,000	\$ 46,187	\$ 46,187	\$ -
Registrar voting equipment grant	-	-	2,653	2,653
Total revenue from the Commonwealth	\$ 30,000	\$ 46,187	\$ 48,840	\$ 2,653
Revenue from the federal government:				
Categorical aid:				
Cops technology grant	\$ -	\$ -	\$ 12,000	\$ 12,000
Bulletproof grant	3,375	3,375	-	(3,375)
Total revenue from the Federal Government	\$ 3,375	\$ 3,375	\$ 12,000	\$ 8,625
Total Capital Reserve Fund	\$ 35,875	\$ 74,247	\$ 97,554	\$ 23,307
Meals Tax Fund:				
Revenue from local sources:				
Other local taxes:				
Meals taxes	\$ 1,498,000	\$ 1,498,000	\$ 1,552,032	\$ 54,032
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 17,817	\$ 17,817
Total revenue from local sources	\$ 1,498,000	\$ 1,498,000	\$ 1,569,849	\$ 71,849
Intergovernmental:				
Revenue from the Federal Government				
Categorical aid:				
QSCB tax credit	\$ 395,250	\$ 395,250	\$ 378,057	\$ (17,193)
Total Meals Tax Fund	\$ 1,893,250	\$ 1,893,250	\$ 1,947,906	\$ 54,656
Total Capital Projects Funds	\$ 1,929,125	\$ 1,967,497	\$ 2,045,460	\$ 77,963
Total Revenues -- Primary Government	\$ 29,568,482	\$ 32,298,908	\$ 31,672,586	\$ (626,322)
Component Unit-School Board:				
Governmental Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 40,000	\$ 41,056	\$ 41,280	\$ 224
Charges for services:				
Tuition and other charges for services	\$ 5,000	\$ 5,000	\$ 7,025	\$ 2,025
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ 140,000	\$ 212,013	\$ 72,013
Recovered costs:				
Recovered costs	\$ 384,132	\$ 432,465	\$ 572,437	\$ 139,972
Total revenue from local sources	\$ 429,132	\$ 618,521	\$ 832,755	\$ 214,234

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Component Unit-School Board: (Continued)				
Governmental Funds: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Martinsville, Virginia	\$ 5,660,763	\$ 5,660,763	\$ 5,122,127	\$ (538,636)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,921,973	\$ 1,921,973	\$ 1,918,131	\$ (3,842)
Basic school aid	6,555,887	6,555,887	6,696,474	140,587
Share of fringe benefits - Fica	455,847	455,847	465,200	9,353
Share of fringe benefits - VRS	761,379	761,379	901,954	140,575
English as a second language	76,983	76,983	73,717	(3,266)
Group life insurance benefits	27,776	27,776	28,345	569
Regional tuition special education	68,641	68,641	77,243	8,602
Early reading intervention	56,190	56,190	53,747	(2,443)
Vocational SOQ payments	151,949	151,949	155,067	3,118
Special education - basic	943,433	943,433	973,288	29,855
At risk students	544,365	544,365	554,624	10,259
Homebound education	24,336	24,336	11,663	(12,673)
Remedial education	122,881	122,881	163,964	41,083
Remediation SOQ payments	460,749	460,749	470,202	9,453
Reduced K-3	624,566	624,566	626,910	2,344
Preschool initiative	342,735	342,735	342,735	-
Textbooks	146,606	146,606	149,614	3,008
Technology	162,836	162,836	162,103	(733)
Other state funds	316,386	343,070	209,126	(133,944)
Total categorical aid	\$ 13,765,518	\$ 13,792,202	\$ 14,034,107	\$ 241,905
Total revenue from the Commonwealth	\$ 13,765,518	\$ 13,792,202	\$ 14,034,107	\$ 241,905
Revenue from the federal government:				
Categorical aid:				
Vocational education - Carl Perkins	\$ 59,021	\$ 59,021	\$ 59,783	\$ 762
School cops grant	-	-	47,361	47,361
State fiscal stabilization funds	225,722	225,722	58,763	(166,959)
NASA program	-	45,000	70,854	25,854
Workforce investment act	43,123	43,123	20,938	(22,185)
Other federal categorical aid	36,669	36,669	36,836	167
Total categorical aid	\$ 364,535	\$ 409,535	\$ 294,535	\$ (115,000)
Total revenue from the federal government	\$ 364,535	\$ 409,535	\$ 294,535	\$ (115,000)
Total School Operating Fund	\$ 20,219,948	\$ 20,481,021	\$ 20,283,524	\$ (197,497)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive Negative
Component Unit-School Board: (Continued)				
Governmental Funds: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 2,300	\$ 2,300	\$ 1,440	\$ (860)
Charges for services:				
Cafeteria sales	\$ 548,400	\$ 548,400	\$ 424,964	\$ (123,436)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 28,161	\$ 28,161	\$ 32,729	\$ 4,568
Revenue from the federal government:				
Categorical aid:				
School food	\$ 733,977	\$ 733,977	\$ 1,090,972	\$ 356,995
Total School Cafeteria Fund	\$ 1,312,838	\$ 1,312,838	\$ 1,550,105	\$ 237,267
School Grants Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ -	\$ 1,058,763	\$ 1,174,028	\$ 115,265
Title II - teacher quality	-	128,829	107,259	(21,570)
Title III - language acquisition grant	-	11,154	822	(10,332)
Title VI - rural education	-	44,049	67,209	23,160
Special education - flow through	-	534,849	638,299	103,450
Special education - preschool	-	6,472	5,383	(1,089)
21st Century Title IV-B	-	366,305	344,505	(21,800)
Total revenue from the federal government	\$ -	\$ 2,150,421	\$ 2,337,505	\$ 187,084
Total School Grants Fund	\$ -	\$ 2,150,421	\$ 2,337,505	\$ 187,084
Total Revenues--Component Unit - School Board	\$ 21,532,786	\$ 23,944,280	\$ 24,171,134	\$ 226,854

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2013

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
General Government Administration:				
Legislative:				
City council	\$ 40,030	\$ 48,030	\$ 53,210	\$ (5,180)
General and Financial Administration:				
Clerk of council	\$ 1,928	\$ 1,928	\$ 1,316	\$ 612
City attorney	95,099	95,099	126,815	(31,716)
City manager's office	256,394	256,394	131,174	125,220
Assistant city manager	66,795	66,795	50,028	16,767
Legal services	15,500	15,500	-	15,500
Human resources	171,976	171,976	169,619	2,357
Employment services	373,195	373,195	326,799	46,396
Communications	22,411	25,411	17,552	7,859
Commissioner of the Revenue	409,088	409,842	405,330	4,512
Assessor	7,050	6,296	5,310	986
Treasurer	264,973	264,973	258,254	6,719
Finance director	130,926	130,926	112,759	18,167
Accounting	152,834	152,834	138,876	13,958
Utility billing	461,281	461,281	453,618	7,663
Information services	393,163	397,913	380,081	17,832
Central garage	457,023	461,335	462,354	(1,019)
Purchasing	239,059	259,518	258,192	1,326
Risk management	232,000	232,000	200,347	31,653
General expenses	364,184	421,687	281,450	140,237
Total general and financial administration	\$ 4,114,879	\$ 4,204,903	\$ 3,779,874	\$ 425,029
Board of Elections:				
Electoral board and officials	\$ 20,162	\$ 20,162	\$ 21,870	\$ (1,708)
Registrar	118,463	118,463	101,906	16,557
Total board of elections	\$ 138,625	\$ 138,625	\$ 123,776	\$ 14,849
Total general government administration	\$ 4,293,534	\$ 4,391,558	\$ 3,956,860	\$ 434,698
Judicial Administration:				
Courts:				
Circuit court	\$ 91,910	\$ 93,410	\$ 77,618	\$ 15,792
General district court	32,175	32,175	26,413	5,762
Juvenile and domestic relations court	7,580	7,580	6,921	659
Clerk of the circuit court	381,063	399,308	381,140	18,168
Sheriff - courts	882,581	888,329	810,394	77,935
Total Courts	\$ 1,395,309	\$ 1,420,802	\$ 1,302,486	\$ 118,316

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2013 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Commonwealth Attorney:				
Commonwealth attorney	\$ 618,774	\$ 641,532	\$ 609,176	\$ 32,356
Victim witness program	72,966	72,966	71,593	1,373
Total Commonwealth attorney	\$ 691,740	\$ 714,498	\$ 680,769	\$ 33,729
Total judicial administration	\$ 2,087,049	\$ 2,135,300	\$ 1,983,255	\$ 152,045
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	\$ 4,078,460	\$ 4,146,139	\$ 3,815,199	\$ 330,940
Transportation safety commission	1,500	1,500	1,381	119
Total law enforcement and traffic control	\$ 4,079,960	\$ 4,147,639	\$ 3,816,580	\$ 331,059
Fire and Rescue Services:				
Fire services	\$ 2,011,472	\$ 2,046,461	\$ 1,930,174	\$ 116,287
Emergency medical services	187,299	205,975	173,240	32,735
Total fire and rescue services	\$ 2,198,771	\$ 2,252,436	\$ 2,103,414	\$ 149,022
Correction and Detention:				
Sheriff -corrections	\$ 2,539,446	\$ 2,623,550	\$ 2,524,340	\$ 99,210
Sheriff -jail annex	163,220	164,952	170,787	(5,835)
Probation office	259,514	259,514	256,096	3,418
Total correction and detention	\$ 2,962,180	\$ 3,048,016	\$ 2,951,223	\$ 96,793
Inspections:				
Building and other	\$ 241,468	\$ 281,468	\$ 206,986	\$ 74,482
Other Protection:				
Safety	\$ 93,658	\$ 93,658	\$ 86,853	\$ 6,805
Total public safety	\$ 9,576,037	\$ 9,823,217	\$ 9,165,056	\$ 658,161
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Director of public works	\$ 99,609	\$ 99,609	\$ 81,425	\$ 18,184

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2013 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Public Works: (Continued)				
Maintenance of highways, streets, bridges and sidewalks: (Continued)				
Engineering	\$ 145,993	\$ 145,993	\$ 136,716	\$ 9,277
Street maintenance	1,690,745	1,924,368	1,924,368	-
Street marking and signs	203,890	515,580	191,600	323,980
Traffic signals	519,295	543,864	423,000	120,864
Street cleaning	456,843	456,843	470,772	(13,929)
VDOT reserve	25,000	25,000	-	25,000
Street construction	411,175	422,906	458,746	(35,840)
Thoroughfare construction	20,000	2,154,277	2,244,529	(90,252)
Total maintenance of highways, streets, bridges and sidewalks	\$ 3,572,550	\$ 6,288,440	\$ 5,931,156	\$ 357,284
Maintenance of buildings and grounds:				
Uptown maintenance	\$ 45,555	\$ 45,555	\$ 42,984	\$ 2,571
City hall maintenance	422,496	422,496	429,059	(6,563)
Indoor Plumbing	100	100	95	5
WPBDC building	10,000	10,000	3,946	6,054
Fiber optic network	147,000	189,500	209,520	(20,020)
Housing services building	8,320	8,320	5,773	2,547
Total maintenance of buildings and grounds	\$ 633,471	\$ 675,971	\$ 691,377	\$ (15,406)
Total public works	\$ 4,206,021	\$ 6,964,411	\$ 6,622,533	\$ 341,878
Health and Welfare				
Health:				
Contribution to local health department	\$ 187,902	\$ 193,961	\$ 200,656	\$ (6,695)
Mental Health and Mental Retardation:				
Chapter X board	\$ 55,432	\$ 55,432	\$ 55,432	\$ -
Welfare/Social Services:				
Comprehensive services	\$ -	\$ -	\$ 226,454	\$ (226,454)
Regional social services board	325,443	325,443	310,115	15,328
Total welfare/social services	\$ 325,443	\$ 325,443	\$ 536,569	\$ (211,126)
Total health and welfare	\$ 568,777	\$ 574,836	\$ 792,657	\$ (217,821)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2013 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Education:				
Contributions to community colleges	\$ 17,720	\$ 17,720	\$ 17,720	\$ -
Contributions to School Board Component Unit	5,660,763	5,660,763	5,122,127	538,636
Total education	\$ 5,678,483	\$ 5,678,483	\$ 5,139,847	\$ 538,636
Parks, Recreation, and Cultural:				
Parks and recreation:				
Parks & Recreation	\$ 127,383	\$ 130,383	\$ 67,930	\$ 62,453
Park maintenance	316,847	316,847	253,589	63,258
Hooker field	271,123	272,575	169,688	102,887
Senior center	218,692	234,974	201,233	33,741
Armory	91,699	91,699	91,800	(101)
Total parks and recreation	\$ 1,025,744	\$ 1,046,478	\$ 784,240	\$ 262,238
Library:				
Regional library	\$ 321,143	\$ 321,143	\$ 284,377	\$ 36,766
Total parks, recreation and cultural	\$ 1,346,887	\$ 1,367,621	\$ 1,068,617	\$ 299,004
Community Development:				
Planning and Community Development:				
Housing / community development	\$ 232,446	\$ 791,987	\$ 764,966	\$ 27,021
Planning and zoning	125,815	127,315	113,950	13,365
Contributions to local organizations	798,584	813,151	779,183	33,968
Total planning and community development	\$ 1,156,845	\$ 1,732,453	\$ 1,658,099	\$ 74,354
Cooperative Extension Program:				
Horticulture and family resources	\$ 6,925	\$ 6,925	\$ 6,925	\$ -
Total community development	\$ 1,163,770	\$ 1,739,378	\$ 1,665,024	\$ 74,354
Debt service:				
Principal retirement	\$ 38,405	\$ 38,405	\$ 38,405	\$ -
Interest and other debt costs	832	832	-	832
Total debt service	\$ 39,237	\$ 39,237	\$ 38,405	\$ 832
Total General Fund	\$ 28,959,795	\$ 32,714,041	\$ 30,432,254	\$ 2,281,787

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2013 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Special Revenue Funds:				
City Grants Fund:				
Community Development:				
Community development block grant	\$ 171,164	\$ 212,907	\$ 237,973	\$ (25,066)
Total City Grants Fund	<u>\$ 171,164</u>	<u>\$ 212,907</u>	<u>\$ 237,973</u>	<u>\$ (25,066)</u>
Housing Choice Fund:				
Community Development:				
Housing choice voucher program	\$ 2,227,252	\$ 2,251,903	\$ 1,914,339	\$ 337,564
Total Housing Choice Fund	<u>\$ 2,227,252</u>	<u>\$ 2,251,903</u>	<u>\$ 1,914,339</u>	<u>\$ 337,564</u>
Total Special Revenue Funds	<u>\$ 2,398,416</u>	<u>\$ 2,464,810</u>	<u>\$ 2,152,312</u>	<u>\$ 312,498</u>
Capital Project Funds:				
Capital Reserve Fund:				
General Government Administration:				
ADP equipment - information services	\$ 75,000	\$ 82,185	\$ 63,879	\$ 18,306
Fiber optic network	59,600	59,600	85,100	(25,500)
Central garage	25,000	25,000	11,411	13,589
City hall	-	768,824	477,629	291,195
Minet - phone system	59,600	59,600	79,773	(20,173)
Utility billing	17,500	17,500	16,310	1,190
Registrar - equipment	6,000	6,000	6,064	(64)
Total general government administration	<u>\$ 242,700</u>	<u>\$ 1,018,709</u>	<u>\$ 740,166</u>	<u>\$ 278,543</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department - equipment	\$ 6,750	\$ 10,050	\$ 9,213	\$ 837
Police department - motor vehicles	78,000	78,000	56,481	21,519
EMS - equipment	60,000	76,187	65,940	10,247
Jail - motor vehicles	26,000	26,000	26,000	-
Jail expansion	-	14,735	17,805	(3,070)
Total law enforcement and traffic control	<u>\$ 170,750</u>	<u>\$ 204,972</u>	<u>\$ 175,439</u>	<u>\$ 29,533</u>
Fire and Rescue Services:				
Fire services - motor vehicles	\$ 475,000	\$ 699,264	\$ 238,883	\$ 460,381
Total public safety	<u>\$ 645,750</u>	<u>\$ 904,236</u>	<u>\$ 414,322</u>	<u>\$ 489,914</u>

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2013 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Funds: (Continued)				
Capital Reserve Fund: (Continued)				
Parks, Recreation, and Cultural:				
Parks and recreation:				
Hooker field	\$ -	\$ 15,000	\$ 15,000	\$ -
Total parks, recreation and cultural	\$ -	\$ 15,000	\$ 15,000	\$ -
Debt service:				
Principal retirement	\$ 252,184	\$ 252,184	\$ 252,184	\$ -
Interest and other debt costs	69,971	69,971	69,971	-
Total debt service	\$ 322,155	\$ 322,155	\$ 322,155	\$ -
Total Capital Reserve Fund	\$ 1,210,605	\$ 2,260,100	\$ 1,491,643	\$ 768,457
Meals Tax Fund:				
General Government Administration:				
Meals tax administration	\$ 48,954	\$ 48,954	\$ 48,954	\$ -
Education:				
High School improvements	\$ -	\$ 8,731,416	\$ 7,337,781	\$ 1,393,635
Debt service:				
Principal retirement	\$ 877,143	\$ 877,143	\$ 877,143	\$ -
Interest and other debt costs	647,980	647,980	647,980	-
Total debt service	\$ 1,525,123	\$ 1,525,123	\$ 1,525,123	\$ -
Total Meals Tax Fund	\$ 1,574,077	\$ 10,305,493	\$ 8,911,858	\$ 1,393,635
Total Capital Project Funds	\$ 2,784,682	\$ 12,565,593	\$ 10,403,501	\$ 2,162,092
Total Expenditures - Primary Government	\$ 34,142,893	\$ 47,744,444	\$ 42,988,067	\$ 4,756,377

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction	\$ 15,770,747	\$ 16,097,856	\$ 15,627,749	\$ 470,107
Administration, attendance and health	1,202,307	1,202,307	1,178,763	23,544
Pupil transportation	910,205	917,465	933,291	(15,826)
Operation and maintenance of school plant	<u>2,336,689</u>	<u>2,371,691</u>	<u>2,543,721</u>	<u>(172,030)</u>
Total operating costs	<u>\$ 20,219,948</u>	<u>\$ 20,589,319</u>	<u>\$ 20,283,524</u>	<u>\$ 305,795</u>
Total School Operating Fund	<u><u>\$ 20,219,948</u></u>	<u><u>\$ 20,589,319</u></u>	<u><u>\$ 20,283,524</u></u>	<u><u>\$ 305,795</u></u>
School Cafeteria Fund:				
Education:				
School food services	<u>\$ 1,357,598</u>	<u>\$ 1,357,598</u>	<u>\$ 1,476,828</u>	<u>\$ (119,230)</u>
School Grants Fund:				
Education:				
Instruction costs	<u>\$ -</u>	<u>\$ 2,150,421</u>	<u>\$ 2,353,851</u>	<u>\$ (203,430)</u>
Total Expenditures - Component Unit - School Board	<u><u>\$ 21,577,546</u></u>	<u><u>\$ 24,097,338</u></u>	<u><u>\$ 24,114,203</u></u>	<u><u>\$ (16,865)</u></u>

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

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

	2007	2008	2009	2010	2011	2012	2013
Governmental activities:							
Net investment in capital assets	\$ 5,142,385	\$ 5,319,803	\$ 5,351,713	\$ 4,986,603	\$ 5,095,179	\$ 5,239,010	\$ 8,114,801
Unrestricted	4,734,923	6,512,958	5,938,838	5,095,384	5,709,696	10,833,837	9,266,186
Total governmental activities net position	<u>\$ 9,877,308</u>	<u>\$ 11,832,761</u>	<u>\$ 11,290,551</u>	<u>\$ 10,081,987</u>	<u>\$ 10,804,875</u>	<u>\$ 16,072,847</u>	<u>\$ 17,380,987</u>
Business-type activities:							
Net investment in capital assets	\$ 14,643,741	\$ 14,934,394	\$ 15,210,773	\$ 14,419,532	\$ 15,002,561	\$ 17,011,598	\$ 17,668,620
Unrestricted	8,031,456	8,389,158	6,452,916	7,012,823	7,017,111	8,058,407	10,467,030
Total business-type activities net position	<u>\$ 22,675,197</u>	<u>\$ 23,323,552</u>	<u>\$ 21,663,689</u>	<u>\$ 21,432,355</u>	<u>\$ 22,019,672</u>	<u>\$ 25,070,005</u>	<u>\$ 28,135,650</u>
Primary government							
Net investment in capital assets	\$ 19,786,126	\$ 20,254,197	\$ 20,562,486	\$ 20,562,486	\$ 19,406,135	\$ 22,250,608	\$ 25,783,421
Unrestricted	12,766,379	14,902,116	12,391,754	12,391,754	12,108,207	18,892,244	19,733,216
Total primary government	<u>\$ 32,552,505</u>	<u>\$ 35,156,313</u>	<u>\$ 32,954,240</u>	<u>\$ 32,954,240</u>	<u>\$ 31,514,342</u>	<u>\$ 41,142,852</u>	<u>\$ 45,516,637</u>

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

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

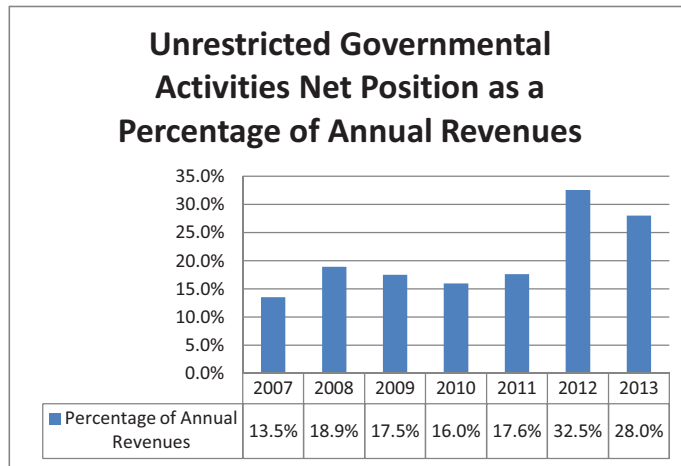
	Fiscal Year						
	2007	2008	2009	2010	2011	2012	2013
Expenses:							
Governmental activities:							
General government administration	\$ 3,163,344	\$ 3,632,533	\$ 4,276,071	\$ 4,093,661	\$ 3,814,802	\$ 3,637,285	\$ 3,632,201
Judicial administration	1,767,723	1,907,359	2,000,159	1,885,494	1,878,258	1,918,028	1,981,577
Public safety	9,048,222	9,397,114	9,696,451	9,472,187	8,997,810	9,228,325	9,393,253
Public works	4,399,867	4,210,661	4,692,221	4,304,621	4,178,766	4,011,222	4,957,877
Health and welfare	577,782	502,245	582,129	1,292,705	606,262	563,668	748,961
Education	7,418,547	7,834,905	7,679,809	6,778,437	6,400,860	3,525,833	5,800,158
Parks, recreation, and cultural	1,486,711	1,740,767	1,096,975	1,149,286	1,340,515	1,254,795	1,085,674
Community development	4,303,337	3,005,045	3,954,587	3,755,520	4,117,538	3,498,547	3,705,549
Interest and other fiscal charges	511,628	313,246	514,838	402,996	348,232	395,761	488,284
Total governmental activities expenses	\$ 32,677,161	\$ 32,543,875	\$ 34,493,240	\$ 33,134,907	\$ 31,683,043	\$ 28,033,464	\$ 31,793,534
Business-type activities:							
Electric	14,000,303	14,386,289	15,660,263	16,432,597	17,175,908	\$ 14,987,140	\$ 13,609,901
Water	1,873,437	2,014,138	2,135,742	1,874,519	1,694,197	1,713,386	1,756,400
Sewer	2,775,866	2,818,953	3,105,291	2,996,728	2,652,619	2,712,919	2,762,385
Refuse collection / landfill	1,289,533	2,957,901	2,368,403	1,138,147	1,095,958	1,262,415	1,566,262
Total business-type activities expenses	\$ 19,939,139	\$ 22,177,281	\$ 23,269,699	\$ 22,441,991	\$ 22,618,682	\$ 20,675,860	\$ 19,694,948
Total primary government expenses	\$ 52,616,300	\$ 54,721,156	\$ 57,762,939	\$ 55,576,898	\$ 54,301,725	\$ 48,709,324	\$ 51,488,482
Program revenues:							
Governmental activities:							
Charges for services:							
General government administration	\$ 80,019	\$ 91,900	\$ 113,848	\$ 143,120	\$ 191,123	\$ 186,019	\$ 210,744
Judicial administration	260,975	234,672	252,763	273,737	202,053	209,709	215,326
Public safety	334,052	325,242	361,662	421,844	509,000	599,126	603,156
Public works	90,002	90,879	92,071	109,045	24,000	24,000	24,000
Parks, recreation, and cultural	142,074	135,477	141,895	162,368	139,931	148,883	51,468
Operating grants and contributions:							
General government administration	272,402	276,647	267,032	234,313	277,056	423,555	275,042
Judicial administration	786,710	866,548	780,735	736,621	713,051	719,769	721,469
Public safety	3,535,245	3,940,060	3,955,895	3,397,090	3,239,401	3,283,016	3,189,324
Public works	2,431,846	2,591,437	2,642,578	2,625,314	3,395,752	3,274,179	2,937,259
Health and welfare	360,404	13,996	12,258	23,973	-	51,227	146,616
Parks, recreation, and cultural	18,227	21,953	17,467	21,545	36,342	34,633	29,024
Community development	2,426,624	2,715,790	2,378,903	2,280,439	2,081,905	2,179,828	1,816,471
Capital grants and contributions	834,435	647,121	138,691	590,000	-	-	2,051,086
Total governmental activities program revenues	\$ 11,573,015	\$ 11,951,722	\$ 11,155,798	\$ 11,019,409	\$ 10,809,614	\$ 11,133,944	\$ 12,270,985

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

	Fiscal Year						
	2007	2008	2009	2010	2011	2012	2013
Business-type activities:							
Charges for services:							
Electric	\$ 16,499,732	\$ 17,357,449	\$ 16,728,961	\$ 16,624,330	\$ 17,549,813	\$ 17,005,502	\$ 16,737,265
Water	2,998,529	3,639,981	3,216,234	2,912,964	3,090,420	3,108,345	3,223,717
Sewer	3,300,744	3,815,476	3,876,929	3,763,519	3,611,687	4,036,668	3,917,792
Refuse collection / landfill	1,396,947	1,370,624	1,431,649	1,698,501	1,651,673	1,678,419	1,599,297
Operating grants and contributions	48,003	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	1,878,298	-
Total business-type activities program revenues	\$ 24,243,955	\$ 26,183,530	\$ 25,253,773	\$ 24,999,314	\$ 25,903,593	\$ 27,707,232	\$ 25,478,071
Total primary government program revenues	\$ 35,816,970	\$ 38,135,252	\$ 36,409,571	\$ 36,018,723	\$ 36,713,207	\$ 38,841,176	\$ 37,749,056
Net (expense) / revenue							
Governmental activities	\$ (21,104,147)	\$ (20,592,153)	\$ (23,337,441)	\$ (22,115,498)	\$ (20,873,429)	\$ (16,899,520)	\$ (19,522,549)
Business-type activities	4,304,816	4,006,249	1,984,074	2,557,323	3,284,911	7,031,372	5,783,123
Total primary government net expense	\$ (16,799,331)	\$ (16,585,904)	\$ (21,353,367)	\$ (19,558,175)	\$ (17,588,518)	\$ (9,868,148)	\$ (13,739,426)
General Revenues and Other Changes in Net Position							
Governmental activities:							
General property taxes	\$ 8,759,342	\$ 9,202,010	\$ 9,443,548	\$ 9,036,094	\$ 8,878,758	\$ 8,667,298	\$ 8,815,665
Local sales and use taxes	2,279,517	2,054,229	2,015,151	1,759,239	1,911,276	1,891,909	1,886,892
Consumer utility taxes	758,582	749,579	735,458	718,563	710,361	695,041	684,046
Business license taxes	1,757,733	1,837,209	1,849,974	1,676,826	1,947,085	1,720,315	1,769,645
Meals tax	1,368,860	1,403,131	1,430,326	1,390,907	1,409,442	1,434,966	1,552,032
Telephone taxes	267,252	-	-	-	-	-	-
Other local taxes	1,428,376	1,803,565	1,792,617	1,738,173	816,634	878,807	787,788
Commonwealth of Virginia non-categorical aid	734,180	724,000	704,371	695,066	1,657,430	1,631,430	1,642,941
Unrestricted revenues from use of money and property	1,460,400	1,006,575	732,669	714,804	612,256	725,358	684,989
Miscellaneous	320,679	283,529	441,675	374,241	916,783	510,730	263,000
Transfers	4,392,215	3,483,779	3,649,442	2,803,021	2,736,292	4,011,638	2,743,691
Total governmental activities	\$ 23,527,136	\$ 22,547,606	\$ 22,795,231	\$ 20,906,934	\$ 21,596,317	\$ 22,167,492	\$ 20,830,689
Business-type activities:							
Transfers	\$ (4,392,215)	\$ (3,483,779)	\$ (3,649,442)	\$ (2,803,021)	\$ (2,736,292)	\$ (4,011,638)	\$ (2,743,691)
Unrestricted revenues from use of money and property	187,327	125,885	5,505	14,364	38,698	30,599	26,213
Total business-type activities	\$ (4,204,888)	\$ (3,357,894)	\$ (3,643,937)	\$ (2,788,657)	\$ (2,697,594)	\$ (3,981,039)	\$ (2,717,478)
Total primary government	\$ 19,322,248	\$ 19,189,712	\$ 19,151,294	\$ 18,118,277	\$ 18,898,723	\$ 18,186,453	\$ 18,113,211
Change in Net Position							
Governmental activities	\$ 2,422,989	\$ 1,955,453	\$ (542,210)	\$ (1,208,565)	\$ 722,888	\$ 5,267,972	\$ 1,308,140
Business-type activities	99,928	648,355	(1,659,863)	(231,334)	587,317	3,050,333	3,065,645
Total primary government	\$ 2,522,917	\$ 2,603,808	\$ (2,202,073)	\$ (1,439,899)	\$ 1,310,205	\$ 8,318,305	\$ 4,373,785

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

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



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

For the year ended June 30, 2013, the City's total unrestricted net position approximated \$9.3 million or 28% of annual total revenues. This represents a decrease of approximately \$1,567,651 or 14.5% compared to the year ended June 30, 2012.

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

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Business License Taxes	Meals Taxes	Telephone Taxes	Other Local Taxes	Total
2013	\$ 8,815,665	\$ 1,886,892	\$ 684,046	\$ 1,769,645	\$ 1,552,032	\$ -	\$ 787,788	\$ 15,496,068
2012	8,667,298	1,891,909	695,041	1,720,315	1,434,966	-	878,807	15,288,336
2011	8,878,758	1,911,276	710,361	1,947,085	1,409,442	-	816,634	15,673,556
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

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)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund					
Unreserved, designated	\$ 154,099	154,099	\$ 154,099	\$ 154,099	\$ 154,099
Unreserved, undesignated	659,306	354,406	954,031	2,081,470	3,666,122
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 813,405</u>	<u>508,505</u>	<u>\$ 1,108,130</u>	<u>\$ 2,235,569</u>	<u>\$ 3,820,221</u>
All other governmental funds					
Unreserved, reported in:					
Special revenue funds (deficit)	\$ 420,396	1,127,266	\$ (459,576)	\$ 54,241	\$ 516,890
Capital projects funds	(170,780)	(347,663)	169,943	1,070,070	834,781
Nonspendable	-	-	-	-	-
Restricted for:					
Capital projects	-	-	-	-	-
Committed, reported in:					
Special revenue funds	-	-	-	-	-
Assigned, reported in:					
Capital projects funds	-	-	-	-	-
Unassigned, reported in:					
Special revenue funds (deficit)	-	-	-	-	-
Total all other governmental funds	<u>\$ 249,616</u>	<u>779,603</u>	<u>\$ (289,633)</u>	<u>\$ 1,124,311</u>	<u>\$ 1,351,671</u>

Note: Fund balance classifications changed starting in fiscal year 2011 when the City implemented GASB 54.

Table 5

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 154,099	\$ 154,099	\$ -	\$ -	\$ -
2,959,209	2,090,139	-	-	-
-	-	512,136	795,619	841,646
-	-	1,690,400	1,690,400	1,698,115
-	-	154,099	154,099	154,099
-	-	774,240	4,734,167	4,535,327
<u>\$ 3,113,308</u>	<u>\$ 2,244,238</u>	<u>\$ 3,130,875</u>	<u>\$ 7,374,285</u>	<u>\$ 7,229,187</u>
\$ 116,818	\$ (230,984)	\$ -	\$ -	\$ -
1,177,707	1,171,520	-	-	-
-	-	-	-	477,955
-	-	-	10,053,594	2,274,054
-	-	161,982	280,061	11,809
-	-	1,196,779	705,957	318,876
-	-	(587,971)	(583,105)	(592,879)
<u>\$ 1,294,525</u>	<u>\$ 940,536</u>	<u>\$ 770,790</u>	<u>\$ 10,456,507</u>	<u>\$ 2,489,815</u>

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Fund Balance Summary
Year Ended June 30, 2013
(Modified accrual basis of accounting)

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

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

	General Fund	City Grants Fund	Housing Choice Fund	Capital Reserve Fund	Meals Tax Fund	Total
Nonspendable:						
Inventory	\$ 838,216	\$ -	\$ -	\$ -	\$ -	\$ 838,216
Prepaid items	3,430	-	-	477,955	-	481,385
Restricted for:						
Capital projects	-	-	-	62,114	2,211,940	2,274,054
Committed to:						
Centre Infrastructure project	1,666,700	-	-	-	-	1,666,700
Piedmont Area Regional Transit	31,415	-	-	-	-	31,415
Housing Choice program	-	-	11,809	-	-	11,809
Assigned to:						
Thoroughfare construction	154,099	-	-	-	-	154,099
Capital reserve fund	-	-	-	294,028	-	294,028
Meals tax fund	-	-	-	-	24,848	24,848
Unassigned	<u>4,535,327</u>	<u>(592,879)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,942,448</u>
Total fund balance	<u>\$ 7,229,187</u>	<u>\$ (592,879)</u>	<u>\$ 11,809</u>	<u>\$ 834,097</u>	<u>\$ 2,236,788</u>	<u>\$ 9,719,002</u>

CITY OF MARTINSVILLE, VIRGINIA

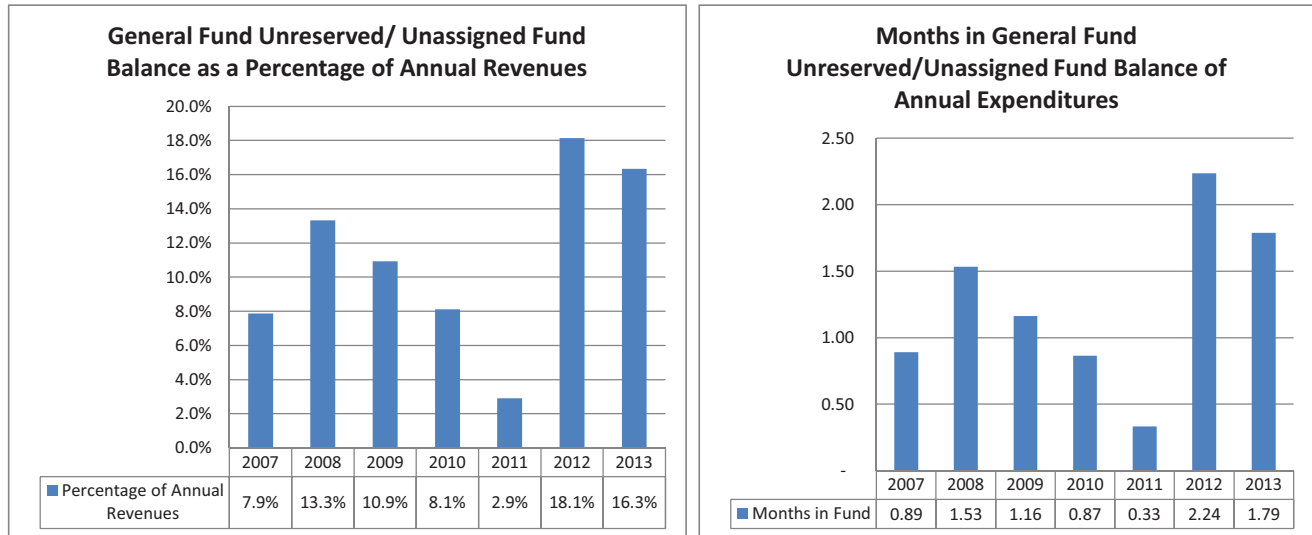
Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	2004	2005	2006	2007
Revenues:				
General property taxes	\$ 7,288,727	\$ 7,338,045	\$ 7,642,006	\$ 8,744,282
Other local taxes	7,112,440	7,352,810	7,566,200	7,860,321
Permits, privilege fees and regulatory licenses	69,393	199,679	418,210	436,393
Fines and forfeitures	221,076	251,543	235,837	207,286
Revenue from use of money and property	485,093	659,907	965,674	1,472,629
Charges for services	118,038	213,979	236,278	263,442
Miscellaneous	340,160	292,673	246,894	320,678
Recovered costs	947,939	900,686	894,882	1,084,522
Intergovernmental:				
Commonwealth	7,008,991	6,995,579	7,176,201	8,346,744
Federal	2,485,469	2,255,816	2,468,561	3,053,329
Total revenues	\$ 26,077,326	\$ 26,460,717	\$ 27,850,743	\$ 31,789,626
Expenditures:				
General government administration	\$ 3,123,305	\$ 4,079,407	\$ 3,924,510	\$ 3,888,574
Judicial administration	1,372,696	1,468,873	1,566,000	1,779,779
Public safety	7,845,641	8,935,052	9,200,137	9,191,113
Public works	3,667,769	3,551,770	3,820,345	4,518,076
Health and welfare	561,968	454,094	642,240	600,133
Education	6,877,698	6,403,847	8,740,321	6,695,401
Parks, recreation, and cultural	969,929	1,157,425	1,459,050	1,491,346
Community development	2,997,166	3,766,058	3,726,792	4,516,723
Capital Outlays	677,481	-	-	-
Capital Projects	110,432	-	-	-
Non-departmental	-	-	-	-
Debt service:				
Principal retirement	1,906,339	1,092,255	1,183,049	1,103,063
Interest and other fiscal charges	608,736	497,758	638,403	482,109
Total expenditures	\$ 30,719,160	\$ 31,406,539	\$ 34,900,847	\$ 34,266,317
Excess (deficiency) of revenues over expenditures	\$ (4,641,834)	\$ (4,945,822)	\$ (7,050,105)	\$ (2,476,691)
Other financing sources (uses):				
Proceeds from debt issued	\$ 127,000	\$ 427,575	\$ 4,529,764	\$ 500,000
Sale of property	1,177,000	-	-	-
Payment to refunded bond escrow agent	-	-	(2,499,764)	-
Transfers in	3,902,199	5,868,548	4,859,443	5,442,840
Transfers (out)	(426,586)	(1,125,214)	(308,950)	(1,050,625)
Total other financing sources (uses)	\$ 4,779,613	\$ 5,170,909	\$ 6,580,493	\$ 4,892,215
Net changes in fund balances	\$ 137,779	\$ 225,087	\$ (469,612)	\$ 2,415,524
Debt service as a percentage of noncapital expenditures	8.59%	5.52%	5.64%	4.70%

Table 7

	2008	2009	2010	2011	2012	2013
\$	9,252,784	\$ 9,305,221	\$ 9,080,208	\$ 8,941,108	\$ 8,622,900	\$ 8,760,993
	7,847,713	7,823,526	6,345,922	6,794,798	6,621,038	6,680,403
	432,554	447,276	560,910	505,375	594,763	145,833
	167,266	180,298	172,344	151,231	163,118	164,533
	1,006,575	732,669	714,804	612,256	725,358	684,989
	278,350	334,665	376,859	409,501	409,856	794,328
	283,529	441,676	374,241	938,783	510,730	263,000
	1,113,309	995,822	1,077,895	974,492	1,126,724	991,218
	8,840,847	7,764,295	8,968,309	9,079,756	8,840,678	8,927,696
	2,956,705	3,133,635	2,573,838	2,321,181	2,939,213	4,259,593
\$	<u>32,179,632</u>	<u>\$ 31,159,083</u>	<u>\$ 30,245,330</u>	<u>\$ 30,728,481</u>	<u>\$ 30,554,378</u>	<u>\$ 31,672,586</u>
\$	4,302,438	\$ 5,012,363	\$ 4,769,772	\$ 4,320,113	\$ 5,501,331	\$ 4,745,980
	1,907,589	2,000,189	1,885,975	1,887,939	1,917,844	1,983,255
	9,716,719	9,874,293	9,399,480	9,005,610	9,046,810	9,579,378
	4,062,576	4,911,994	4,141,317	4,084,984	3,993,552	6,637,533
	521,146	605,854	1,396,264	627,135	604,746	792,657
	7,082,718	6,891,809	6,039,577	5,697,421	3,638,582	12,477,628
	1,722,562	1,108,760	1,165,186	1,500,498	1,218,913	1,068,617
	2,970,905	3,950,792	4,173,213	4,066,774	3,474,873	3,817,336
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	3,660,658	3,660,350	1,251,510	1,188,028	1,207,842	1,167,732
	368,440	528,333	389,116	369,380	582,396	717,951
\$	<u>36,315,751</u>	<u>\$ 38,544,737</u>	<u>\$ 34,611,410</u>	<u>\$ 32,747,882</u>	<u>\$ 31,186,889</u>	<u>\$ 42,988,067</u>
\$	<u>(4,136,119)</u>	<u>\$ (7,385,654)</u>	<u>\$ (4,366,080)</u>	<u>\$ (2,019,401)</u>	<u>\$ (632,511)</u>	<u>\$ (11,315,481)</u>
\$	2,464,452	\$ 2,972,053	\$ 340,000	\$ -	\$ 10,550,000	\$ 460,000
	-	-	-	-	-	-
	-	-	-	-	-	-
	3,975,745	3,773,941	3,096,834	2,957,692	4,256,202	3,062,864
	(491,966)	(124,499)	(293,813)	(221,400)	(244,564)	(319,173)
\$	<u>5,948,231</u>	<u>\$ 6,621,495</u>	<u>\$ 3,143,021</u>	<u>\$ 2,736,292</u>	<u>\$ 14,561,638</u>	<u>\$ 3,203,691</u>
\$	<u>1,812,112</u>	<u>\$ (764,159)</u>	<u>\$ (1,223,059)</u>	<u>\$ 716,891</u>	<u>\$ 13,929,127</u>	<u>\$ (8,111,790)</u>
	<u>11.26%</u>	<u>11.16%</u>	<u>4.77%</u>	<u>4.81%</u>	<u>6.14%</u>	<u>4.60%</u>

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



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

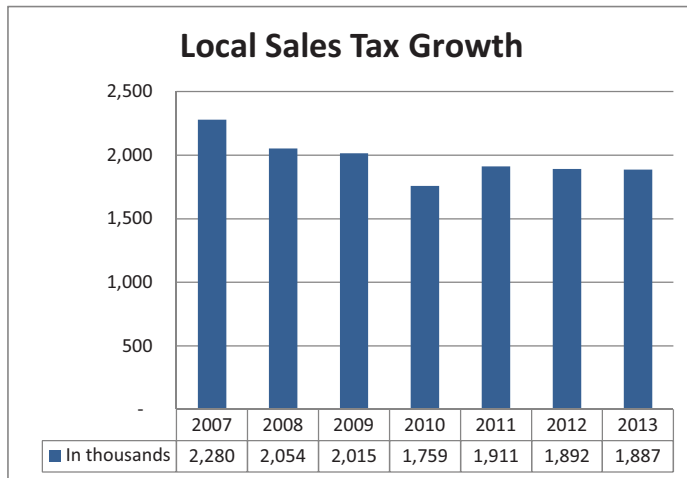
Note:

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

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

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Business License Taxes	Meals Taxes	(Telephone) E-911 Taxes	Other Local Taxes	Total
2013	\$ 8,760,993	\$ 1,886,892	\$ 684,046	\$ 1,769,645	\$ 1,552,032	-	\$ 1,723,544	\$ 16,377,152
2012	8,622,900	1,891,909	695,041	1,720,315	1,434,966	-	1,790,291	16,155,422
2011	8,941,108	1,911,276	710,361	1,947,085	1,409,442	-	1,778,104	16,697,376
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

Local Sales Tax Growth
 Last Seven Fiscal Years
 (Modified Accrual Basis of Accounting)



Local sales tax growth is a measure of the state of the local economy by comparing revenue collected in the prior year to the current year.

For the year ended June 30, 2013, the City experienced a decrease in sales tax collections of approximately \$5,017 or 0.27%.

Utility Analysis of Unrestricted Net Position
At June 30, 2013

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Net Position at June 30, 2013	\$ 14,961,543	\$ 5,214,404	\$ 4,332,558	\$ 3,627,145	\$ 28,135,650
Less capital assets	(8,820,004)	(4,465,577)	(3,310,182)	(2,617,957)	(19,213,720)
Add current portion of long-term obligations	21,327	4,779	21,465	384,826	432,397
Add noncurrent portion of long-term obligations	154,239	43,009	177,608	5,086,921	5,461,777
Less compensated absences	(48,266)	(47,788)	(67,459)	(11,451)	(174,964)
Less landfill closure and post-closure costs	-	-	-	(3,439,510)	(3,439,510)
Less series 2009B general obligation bonds (non-capital related debt)	-	-	-	(734,600)	(734,600)
Unrestricted Net Position at June 30, 2013	<u>\$ 6,268,839</u>	<u>\$ 748,827</u>	<u>\$ 1,153,990</u>	<u>\$ 2,295,374</u>	<u>\$ 10,467,030</u>

CITY OF MARTINSVILLE, VIRGINIA

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

Fiscal Year(1)	Real Estate	Personal Property	Machinery and Tools	Public Service Real Estate	Public Service Pers Prop	Total
2013	\$ 668,272,729	\$ 94,077,288	\$ 7,159,164	\$ 22,600,872	\$ 399,539	\$ 792,509,592
2012	666,564,846	98,318,224	9,451,688	22,946,217	353,331	797,634,306
2011	693,753,700	96,212,276	5,676,513	22,370,013	257,936	818,012,502
2010	693,122,800	103,067,671	6,124,366	23,411,431	242,044	825,726,268
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

(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 12

Tax Rates					
Real Estate	Personal Property	Machinery and Tools	Public Service R/E	Public Service P/P	
\$ 1.01816	\$ 2.30	\$ 1.85	\$ 1.01816	\$ 2.30	
1.01816	2.30	1.85	1.01816	2.30	
1.01816	2.30	1.85	1.01816	2.30	
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	*	

CITY OF MARTINSVILLE, VIRGINIA

Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1), (3) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections
2013	\$ 9,515,252	\$ 8,730,614	91.75%	\$ 463,880
2012	9,663,905	8,670,267	89.72%	437,761
2011	9,654,565	8,926,474	92.46%	437,117
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

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

Table 13

Total Tax Collections		Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)		Percent of Delinquent Taxes to Tax Levy
\$	9,194,494	96.63%	\$	1,027,354	10.80%
	9,108,028	94.25%		1,044,410	10.81%
	9,363,591	96.99%		1,122,427	11.63%
	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%

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
2013	\$ 3,161,200	\$ 340,000	\$ 4,000,000	\$ 10,795,417	\$ 460,000	\$ -
2012	3,480,300	340,000	4,625,000	10,921,962	97,087	-
2011	2,473,800	340,000	5,250,000	1,732,744	325,647	-
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	-

n/a - not available at publication

Table 14

General Obligation Bonds			Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Net Bonded Debt per Capita			
\$	2,279,700	\$	-	\$	-	\$	21,036,317	n/a	\$	1,513
	2,683,700		-		65,474		22,213,523	n/a		1,598
	3,075,100		-		193,719		13,391,010	661.11%		969
	2,502,200		-		318,448		14,130,867	712.98%		952
	2,742,800		-		439,756		15,404,285	770.05%		1,038
	1,982,600		-		-		14,892,626	735.67%		1,025
	2,209,500		-		-		16,315,732	849.76%		1,122
	1,907,900		-		-		16,629,768	888.13%		1,132
	-		-		-		13,712,551	789.80%		930
	-		825,000		114,068		15,316,299	890.15%		1,040

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2013	13,908	\$ 792,509,592	\$ 20,576,317	2.60%	\$ 1,479
2012	13,902	797,634,306	22,050,962	2.76%	1,586
2011	13,821	818,012,502	12,871,644	1.57%	931
2010	14,841	825,726,268	13,265,997	1.61%	894
2009	14,535	788,657,378	14,113,266	1.79%	971
2008	14,545	785,327,606	14,230,903	1.81%	978
2007	14,687	730,739,756	15,774,728	2.16%	1,074
2006	14,743	726,007,431	15,824,714	2.18%	1,073
2005	14,731	700,485,880	12,731,939	1.82%	864
2004	15,024	693,767,594	13,580,355	1.96%	904

Sources:

(1) The Weldon Cooper Center for Public Service

(2) From Table 12

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

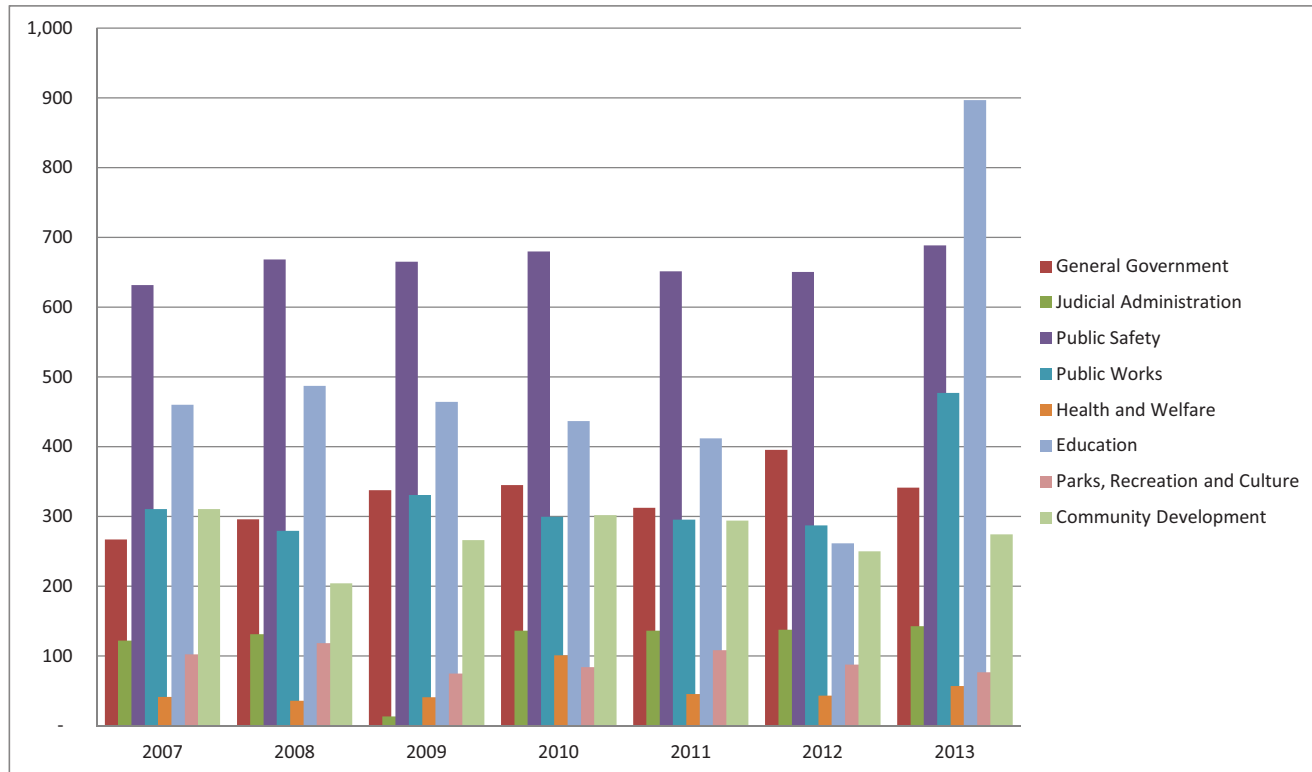
Computation of Direct and Overlapping Bonded Debt
At June 30, 2013

Direct:(1)

City of Martinsville	\$	20,576,317	100%	\$	20,576,317
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The City of Martinsville has no overlapping debt.

Expenditures Per Capita Ratio
Last Seven Fiscal Years



Note:

Information included is governmental expenditures - Table 7

Population - Table 18

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	City Per Capita Income (2)	School Enrollment (3)	Unemploy- ment Rate (4)	Personal Income In Thousands (5)
2013	13,908 \$	n/a	2,137	13.90% \$	n/a
2012	13,902	n/a	2,163	14.30%	n/a
2011	13,821	30,097	2,359	17.00%	2,025,548
2010	13,821	29,220	2,324	20.20%	1,981,945
2009	14,841	28,773	2,453	21.60%	2,000,417
2008	14,535	28,906	2,436	11.40%	2,024,349
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

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"

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

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	25	28	28	26	24	24	23	23	23	24
Public safety										
Police department	58	55	57	57	57	57	55	54	53	54
Fire department	29	29	31	31	30	30	29	29	29	29
Public works										
General maintenance	41	43	41	38	43	42	42	42	42	39
Landfill Operation	6	6	0	0	0	0	0	0	0	0
Refuse Collection	4	4	0	4	4	4	4	3	3	3
Engineering	4	4	4	4	4	3	2	2	2	2
Culture and recreation										
Parks and recreation	10	10	10	9	9	9	8	7	7	7
Community development										
Planning	9	7	8	8	6	6	5	4	3	3
Totals	186	186	179	177	177	175	168	164	162	161

Source: Individual city departments

Operating Indicators by Function
Last Nine Fiscal Years

		2005	2006	2007	2008	2009	2010	2011	2012	2013
Police Protection	Number of stations	1	1	1	1	1	1	1	1	1
	Number of police personnel and officers	53	53	52	52	58	56	56	55	55
	Number of law violations:									
	Physical arrests	1,454	2,133	1,562	1,546	1,933	1,332	1,447	1,677	1,580
	Traffic violations	4,403	3,909	3,469	2,882	3,336	2,948	2,842	3,389	2,430
Fire Protection	Number of stations	2	2	2	2	2	2	2	2	2
	Number of fire personnel and officers	29	41	41	39	40	41	43	46	45
	Number of calls answered	1,712	2,448	2,498	2,761	2,642	2,981	3,136	3,171	2,935
	Number of inspections conducted	1,071	122	246	237	2,560	50	1,111	1,401	2,006
Streets	Streets (miles)	16	16	100	100	100	100	100	100	100
	Streetlights	4,027	4,027	4,027	3,300	3,300	3,300	3,300	3,300	3,300
Recreation & Culture	Number of parks and recreation facilities	7	7	7	7	7	13	13	13	13
	Number of libraries	1	1	1	1	1	1	1	1	1
	Number of community centers	1	1	1	1	1	1	1	1	1
Water	Service Connections	7,500	7,500	7,500	7,300	7,300	7,300	7,300	7,300	7,300
	Miles of water mains	120	120	120	120	120	120	120	120	120
	Number of fire hydrants	520	520	548	548	548	548	548	548	555
	Daily average consumption in gallons	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	2.0 MGD	2.0 MGD	2.0 MGD	2.0 MGD	1.8 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	10.0 MGD	7.4 MGD	7.4 MGD
Sewer	Service Connections	7,000	7,000	7,000	6,800	6,800	6,800	6,800	6,800	6,800
	Miles of sanitary sewers	140	140	140	140	140	140	140	140	140
	Miles of storm sewers	1	1	1	1	1	1	1	1	1
	Number of treatment plants	1	1	1	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	4.5 MGD	4.5 MGD	4.5 MGD
	Maximum daily capacity of plant in gallons	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD
Electric Distribution Systems	Miles of service	100	100	100	100	100	100	100	100	100
	Number of distribution systems	1	1	1	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	3	3	3
	Number of middle schools	1	1	1	1	1	1	2	2	2
	Number of secondary schools	1	1	1	1	1	1	1	1	1
Facilities and services not included in the reporting entity										
	Hospitals:									
	Number of hospitals	1	1	1	1	1	1	1	1	1
	Number of patient beds	237	220	220	220	220	220	220	237	237

Source: Individual city departments

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

Capital Asset Statistics by Function
Last Nine Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government									
Administration buildings	4	4	4	4	6	6	6	6	6
Vehicles	11	11	13	15	39	16	4	4	4
Public safety									
Police department:									
Patrol units	24	24	19	23	23	13	9	9	19
Other vehicles	10	10	7	6	10	12	16	16	13
Sheriffs department:									
Patrol units	10	10	11	8	8	8	0	10	11
Other vehicles	11	11	12	10	14	12	17	7	8
Fire department:									
Vehicles	13	13	15	14	14	15	13	12	12
Building inspections:									
Vehicles	3	3	3	2	2	2	2	2	2
Animal control:									
Vehicles	1	1	1	1	1	1	1	1	1
Public works									
General maintenance:									
Trucks/vehicles	43	43	38	39	43	62	80	80	66
Refuse:									
Vehicles	10	10	14	8	9	9	8	9	10
Sites	1	1	1	1	1	1	1	1	1
Culture and recreation									
Parks and recreation:									
Community centers	1	1	1	1	1	1	1	1	1
Vehicles	13	13	14	13	12	7	14	7	12
Playing Fields	9	9	9	9	9	9	9	9	9
Tennis courts	3	3	3	3	3	3	3	3	3
Community development									
Planning:									
Vehicles	1	1	1	1	2	2	2	2	2
Component Unit - School Board									
Education:									
Schools	6	4	4	4	4	5	5	5	5
School buses	33	33	33	35	37	34	35	28	28
Other vehicles	29	29	29	30	30	30	29	27	27

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

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 Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Martinsville, Virginia's basic financial statements, and have issued our report dated December 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Martinsville, Virginia's internal control over financial reporting (internal control) 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 City of Martinsville, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Martinsville, Virginia's internal control.

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

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

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*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 9, 2013

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 City of Martinsville, Virginia's compliance with the types of compliance requirements described (*OMB Circular A-133 Compliance Supplement*) that could have a direct and material effect on each of City of Martinsville, Virginia's major federal programs for the year ended June 30, 2013. 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 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 City of Martinsville Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Martinsville, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Martinsville, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Martinsville, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 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
December 9, 2013

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2013

<u>Federal Grantor/State Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Agency Identifying Number</u>		<u>Federal Expenditures</u>
PRIMARY GOVERNMENT:				
<u>DEPARTMENT OF TRANSPORTATION:</u>				
<u>Pass through payments:</u>				
Department of Motor Vehicles:				
ARRA - Highway Planning and Construction	20.205	UPC 97198	\$ 376,420	
Highway Planning and Construction	20.205	UPC 97198	1,552,775	1,929,195
Alcohol Open Container Requirements	20.607	60507-50320		11,863
Total Department of Transportation				\$ 1,941,058
<u>DEPARTMENT OF DEFENSE:</u>				
<u>Pass through payments:</u>				
ARRA - Military Construction, National Guard	12.400	Unknown	\$ 11,228	
Military Construction, National Guard	12.400	Unknown	11,228	22,456
<u>DEPARTMENT OF HOMELAND SECURITY:</u>				
<u>Pass through payments:</u>				
Department of Emergency Services:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Unknown		\$ 18,192
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
<u>Direct payments:</u>				
Section 8 Housing Choice Vouchers	14.871	N/A		\$ 1,625,231
<u>Pass through payments:</u>				
Department of Housing and Community Development:				
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	53305-50797		183,044
Total Department of Housing and Urban Development				\$ 1,808,275
<u>DEPARTMENT OF LABOR:</u>				
<u>Pass through payments:</u>				
Governor's Employment and Training Department:				
Senior Community Service Employment Program	17.235	Unknown		\$ 15,019
<u>DEPARTMENT OF JUSTICE:</u>				
<u>Direct payments:</u>				
Viper Grant	16.000	N/A		\$ 4,879
Bullet Proof Vest Partnership Program	16.607	N/A		2,372
Public Safety Partnership and Community Policing Grants	16.710	N/A		12,000
Edward Byrne Memorial State and Local Law Enforcement Discretionary Grants Program	16.580	N/A		2,746
State Criminal Alien Assistance Program	16.606	N/A		1,236
<u>Pass through payments:</u>				
Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	39001-86000		53,303
Total Department of Justice				\$ 76,536
Total Primary Government				\$ 3,881,536
COMPONENT UNIT-SCHOOL BOARD:				
<u>DEPARTMENT OF AGRICULTURE:</u>				
<u>Pass through payments:</u>				
Child Nutrition Cluster:				
Department of Agriculture:				
Food Distribution	10.555	10.555/2012	\$ 78,392	
Department of Education:				
National School Lunch Program	10.555	10.555/2012 2013IN109941	712,141	790,533
Total national school lunch program - 10.555				\$ 790,533

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2013 (Continued)

<u>Federal Grantor/State Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Agency Identifying Number</u>	<u>Federal Expenditures</u>
COMPONENT UNIT-SCHOOL BOARD: (Continued)			
<u>DEPARTMENT OF AGRICULTURE: (Continued)</u>			
Department of Education:			
School Breakfast Program	10.553	10.553/2012 2013IN109941	\$ 259,514
Fresh Fruit and Vegetable Program	10.582	10.582/2012 2013IL160341	40,926
Total Department of Agriculture			<u>\$ 1,090,973</u>
<u>DEPARTMENT OF LABOR:</u>			
<u>Direct payments:</u>			
Workforce Investment Act - Youth Activities	17.259	N/A	<u>\$ 20,938</u>
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Direct payments:</u>			
Department of Education:			
Adult Education - National Leadership Activities	84.191	N/A	\$ 36,836
<u>Pass through payments:</u>			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A100046 S010A110046 S010A120046	\$ 1,174,028
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	H027A100107 H027A110107 H027A120107	638,299
Special Education - Preschool Grants	84.173	H173A100112 H173A110112 H173A120112	5,505
Career and Technical Education - Basic Grants to States	84.048	V048A100046 V048A120046	59,783
English Language Acquisition Grants	84.365	S365A110046 S365A120046	822
Improving Teacher Quality State Grants	84.367	S367A110044 S367A120044	107,259
Rural Education	84.358	S358B100046 S358B110046 S358B120046	67,086
Twenty-First Century Community Learning Centers	84.287	S287C110047 S287C120047	344,505
ARRA - Education Jobs Fund	84.410	S410A100047	<u>58,763</u>
Total Department of Education			<u>\$ 2,492,886</u>
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:</u>			
<u>Direct payments:</u>			
Science	43.001	N/A	<u>\$ 70,854</u>
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct payments:</u>			
Public Safety Partnership and Community Policing Grants	16.710	N/A	<u>\$ 47,361</u>
Total Component Unit School Board			<u><u>\$ 3,723,012</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 7,604,548</u></u>

See accompanying notes to schedule of expenditures of federal awards

CITY OF MARTINSVILLE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For The Year Ended June 30, 2013

Note 1 - Basis of Presentation

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, 2013. 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 the operations of the City of Martinsville, Virginia, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Martinsville, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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 - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	2,061,261
Housing Choice Fund		1,625,231
Capital Reserve Fund		12,000
Meals tax fund		378,057
City Grants Fund		<u>183,044</u>
Total primary government	\$	<u>4,259,593</u>

Component Unit School Board:

School Operating Fund	\$	294,535
School Grants Fund		2,337,505
School Cafeteria Fund		<u>1,090,972</u>
Total component unit school board	\$	<u>3,723,012</u>

Reconcile Federal revenues to expenditures:

Less: Federal Tax Credit Subsidy on QSCB Bond	<u>(378,057)</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 7,604,548

CITY OF MARTINSVILLE, VIRGINIA

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

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 Section 510 (a)
of Circular A-133? No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster
14.871	Section 8 Housing Choice Vouchers
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee? No

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.