

Martinsville, Virginia
A CITY WITHOUT LIMITS



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

PREPARED BY:

Finance Department

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Title Page	1
Table of Contents	3-6
Directory of Principal Officials	7
Organizational Chart	9-10
FINANCIAL SECTION	
Independent Auditors' Report	11-13
Management's Discussion and Analysis	15-26
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	31
Exhibit 2 Statement of Activities	32-33
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	36
Exhibit 4 Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	37
Exhibit 5 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities—Governmental Funds	38
Exhibit 6 Statement of Net Position—Proprietary Funds	39
Exhibit 7 Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds	40
Exhibit 8 Statement of Cash Flows—Proprietary Funds	41
Exhibit 9 Statement of Fiduciary Net Position—Agency Funds	42
Notes to Financial Statements	43-92

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
FINANCIAL SECTION: (CONTINUED)	
<u>Required Supplementary Information:</u>	
Exhibit 10 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—General Fund	95
Exhibit 11 Schedule of Pension and OPEB Funding Progress for the Virginia Retirement System and Other Postemployment Benefits	96
Exhibit 12 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Meals Tax Fund	97
<u>Other Supplementary Information:</u>	
Combining and Individual Funds Statements and Schedules:	
Exhibit 13 Combining Balance Sheet—Nonmajor Governmental Funds	102
Exhibit 14 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	103
Exhibit 15 Schedule of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds—Budget and Actual	104-105
Exhibit 16 Combining Statement of Fiduciary Net Position—Agency Funds	107
Exhibit 17 Combining Statement of Changes in Assets and Liabilities—Agency Funds	108
Discretely Presented Component Unit—School Board:	
Exhibit 18 Combining Balance Sheet	109
Exhibit 19 Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	110
Exhibit 20 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	111
Exhibit 21 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual	112-113

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
FINANCIAL SECTION: (CONTINUED)	
<u>Other Supplementary Information: (Continued)</u>	
Supporting Schedules:	
Schedule 1 Governmental Funds and Discretely Presented Component Unit-School Board–Schedule of Revenues–Budget and Actual	117-124
Schedule 2 Governmental Funds and Discretely Presented Component Unit-School Board–Schedule of Expenditures–Budget and Actual	125-130
 STATISTICAL SECTION:	
<u>Statistical Tables:</u>	
Table 1 Net Position by Component	133
Table 2 Changes in Net Position	134-135
Table 3 Level of Unrestricted Net Position	136
Table 4 Governmental Activities Tax Revenues by Source—(Accrual Basis of Accounting)	137
Table 5 Fund Balances of Governmental Funds	138-139
Table 6 Fund Balance Summary	141
Table 7 Changes in Fund Balances of Governmental Funds	142-143
Table 8 Level of Unreserved/Unassigned Fund Balance	144
Table 9 Governmental Activities Tax Revenues by Source—(Modified Accrual Basis of Accounting)	145
Table 10 Local Sales Tax Growth	146
Table 11 Utility Analysis of Unrestricted Net Position	147
Table 12 Assessed Value of Taxable Property and Tax Rates	148-149

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
STATISTICAL SECTION: (CONTINUED)	
<u>Statistical Tables:</u>	
Table 13 Property Tax Levies and Collections	150-151
Table 14 Ratios of Outstanding Debt by Type	152-153
Table 15 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	155
Table 16 Computation of Direct and Overlapping Bonded Debt	156
Table 17 Expenditures Per Capita Ratios	157
Table 18 Demographic and Economic Statistics	158
Table 19 Full-time Equivalent City Government Employees by Function	159
Table 20 Operating Indicators by Function	160-161
Table 21 Capital Asset Statistics by Function	162
 COMPLIANCE SECTION:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	163-164
Independent Auditors' Report on Compliance For Each Major Program and Internal Control over Compliance Required by OMB Circular A-133	165-166
Schedule of Expenditures of Federal Awards	167-168
Notes to Schedule of Expenditures of Federal Awards	169
Schedule of Findings and Questioned Costs	170

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

Robert Williams, Chairman
Carolyn McCraw, Vice-Chairman

Craig B. Dietrich

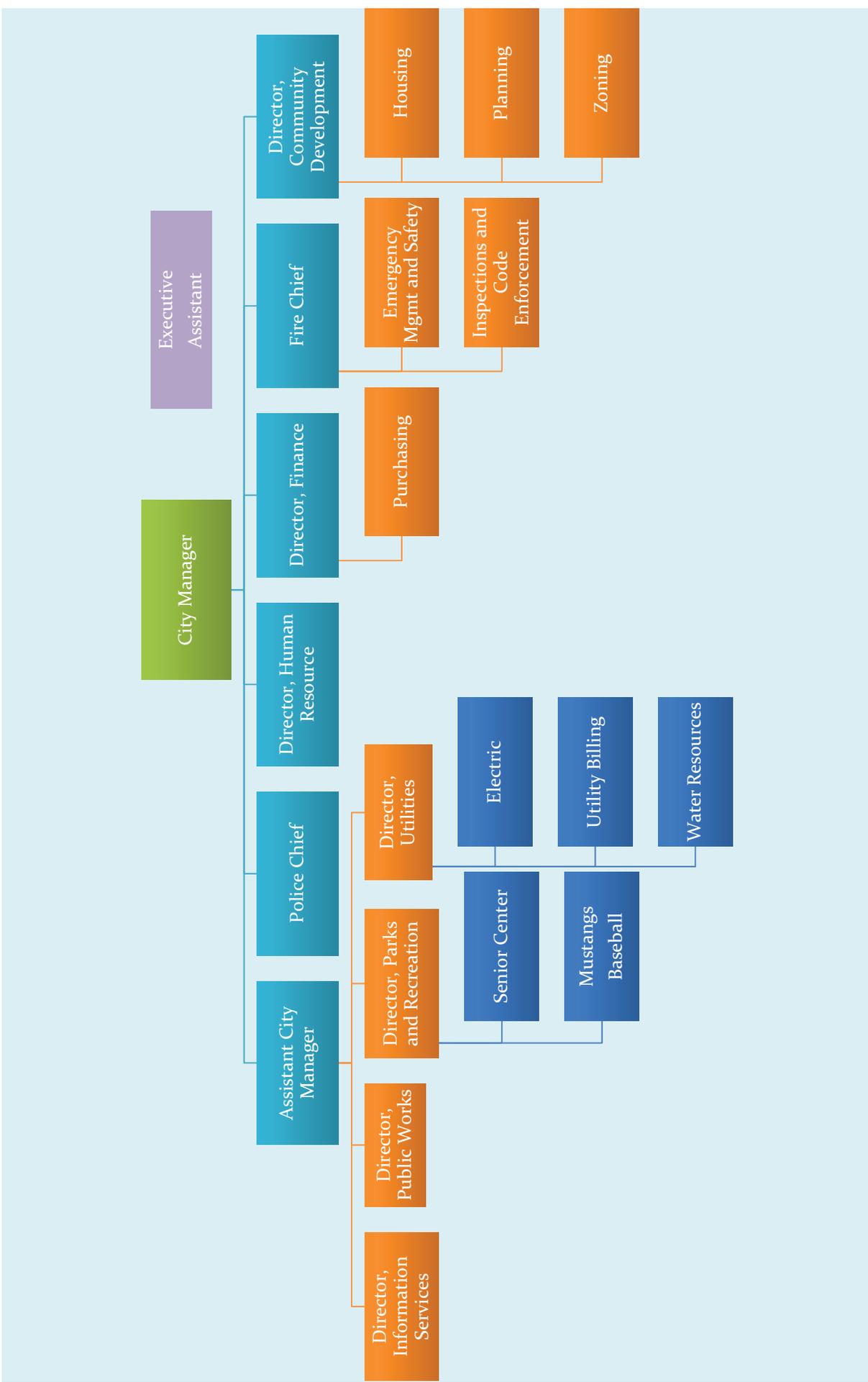
Rives Coleman

Rev. James C. Richardson, Jr.

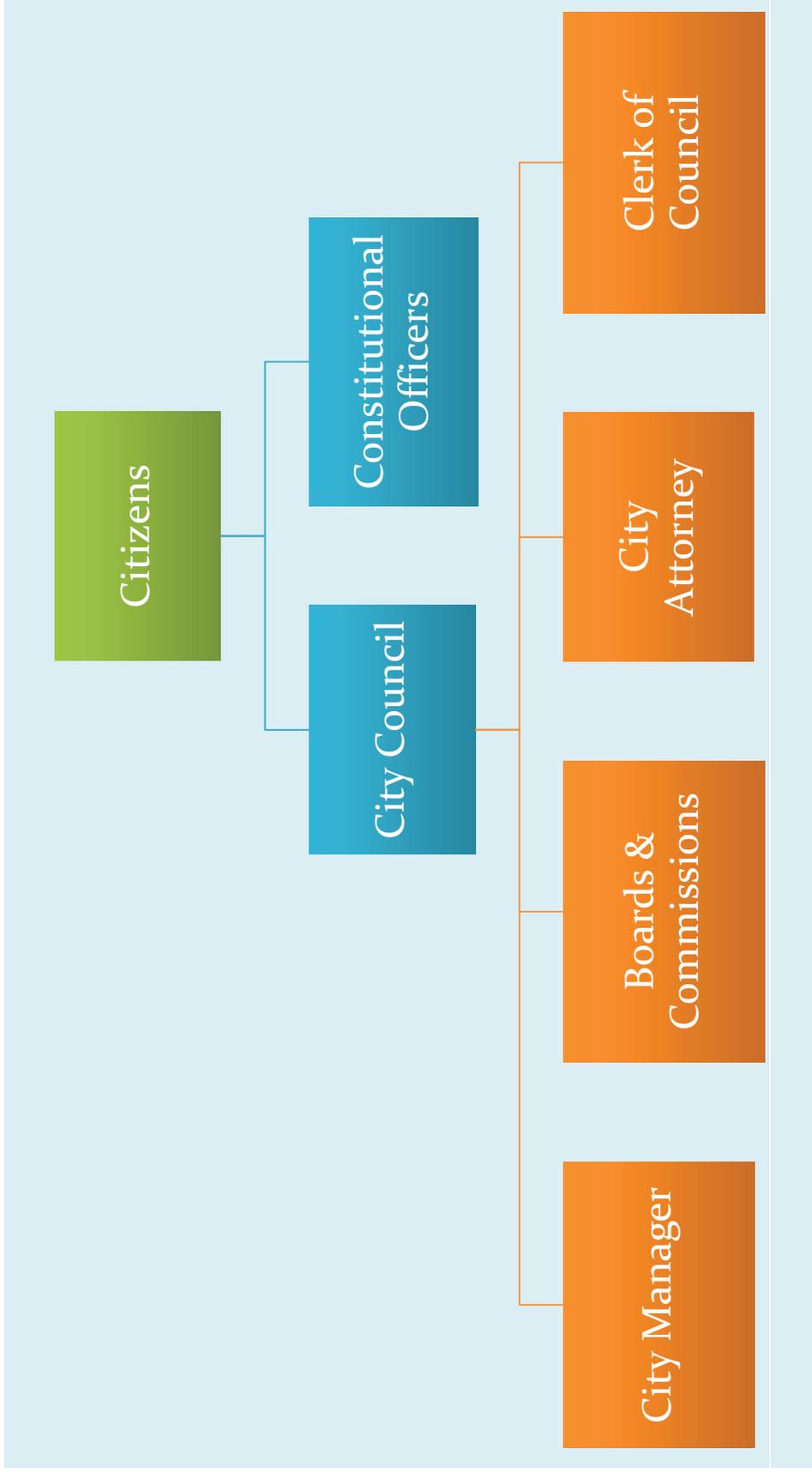
Other Officials

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..... Sean Dunn
Superintendent of Schools..... Pamela V. Heath
Clerk of the School Board.....Janie Fulcher
Director of Finance Linda H. Conover
Sheriff..... Steve M. Draper
Commonwealth’s Attorney..... Harry “Clay” Gravely
Public Works Department Director Jeff Joyce
Utilities Director..... Dennis Bowles
Purchasing Agent Karen H. Mays
Fire ChiefKenneth Draper

City of Martinsville Organizational Chart



City of Martinsville Organizational Chart



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, 2014, 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, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress on pages 15-26, 95, and 96-97 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.

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 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 November 12, 2014, 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

November 12, 2014

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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, 2014. 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 \$47,730,547 (total net position). Of this amount \$20,706,381 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The Governmental activities net position was \$20,346,570 of the City's total, an increase of \$3,296,712 or 19.34% in comparison with net position of \$17,049,858 at June 30, 2013.
- Net position of the City's various business type activities totaled \$27,383,977. This is a decrease of \$751,673 or 2.68% compared with net position of \$28,135,650 reported on June 30, 2013.
- The School Board's assets exceeded its liabilities by \$9,491,639, an increase of \$528,515 when compared to the amount on June 30, 2013. However, \$8,785,502 of this amount reflects the School Board's net investment in capital assets leaving \$706,137 in unrestricted net position available to meet ongoing obligations. This is a decrease of \$124,105 or 14.95% 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 \$264,008 (Exhibit 4) after making direct contributions totaling \$6,027,143 to the School Board. An additional \$1,323,914 was expended from the Meals Tax Fund used to retire School related debt. A total of \$7,351,057 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 \$9,454,994, which is a decrease of \$264,008 in comparison with the prior fiscal year.
- At the close of the current fiscal year, the unassigned fund balance for the General Fund was \$4,568,620 or 14.5% of total general fund expenditures.
- The combined long-term Governmental obligations decreased \$1,092,326 or 5.63% 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, Telecommunications, Capital Projects, and General Administration. Governmental Activities are supported primarily by taxes, state and federal grants, and transfers from the City's Enterprise funds (Electric, Water, Sewer, and Refuse).
2. Business-Type Activities – The City has four business-type activities: Electric, Water, Sewer, and Refuse. The City recovers all or a significant portion of the costs associated with providing these services through user fees and charges to the customers receiving these services.
3. Component Unit – The City has one component unit, the Martinsville Public Schools. While the School System is a legally separate entity, the City of Martinsville is financially accountable for the School System. Financial information for the component unit is reported separately from the financial information presented for the primary government.

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 FY2014, (1) assets and deferred outflows of resources exceeded (2) liabilities and deferred inflows of resources by \$47,730,547 at the close of the fiscal year as presented in the Table below. This was an increase of \$2,545,039 or 5.63% over the FY2013 closing amount of \$45,185,508.

City of Martinsville, Virginia
Schedule of Assets, Liabilities and Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2014 and 2013

	Governmental		Business-type		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 13,996,996	\$ 15,311,274	\$ 14,309,912	\$ 15,519,935	\$ 28,306,908	\$ 30,831,209
Capital assets	<u>26,620,193</u>	<u>24,266,235</u>	<u>19,432,885</u>	<u>19,213,720</u>	<u>46,053,078</u>	<u>43,479,955</u>
Total assets	<u>\$ 40,617,189</u>	<u>\$ 39,577,509</u>	<u>\$ 33,742,797</u>	<u>\$ 34,733,655</u>	<u>\$ 74,359,986</u>	<u>\$ 74,311,164</u>
Long-term liabilities outstanding	\$ 16,695,839	\$ 18,181,055	\$ 5,051,758	\$ 5,461,777	\$ 21,747,597	\$ 23,642,832
Current liabilities	3,526,139	4,304,945	1,307,062	1,136,228	4,833,201	5,441,173
Deferred inflows of resources	<u>48,641</u>	<u>41,651</u>	<u>-</u>	<u>-</u>	<u>48,641</u>	<u>41,651</u>
Total liabilities and deferred inflows of resources	<u>\$ 20,270,619</u>	<u>\$ 22,527,651</u>	<u>\$ 6,358,820</u>	<u>\$ 6,598,005</u>	<u>\$ 26,629,439</u>	<u>\$ 29,125,656</u>
Net position:						
Net investment in capital assets	\$ 9,025,281	\$ 7,783,672	\$ 17,998,885	\$ 17,668,620	\$ 27,024,166	\$ 25,452,292
Unrestricted	<u>11,321,289</u>	<u>9,266,186</u>	<u>9,385,092</u>	<u>10,467,030</u>	<u>20,706,381</u>	<u>19,733,216</u>
Total net position	<u>\$ 20,346,570</u>	<u>\$ 17,049,858</u>	<u>\$ 27,383,977</u>	<u>\$ 28,135,650</u>	<u>\$ 47,730,547</u>	<u>\$ 45,185,508</u>

At the end of FY2014, the City's net investment in capital assets is \$27,024,166 and represents 56.62% 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 \$9,025,281.

Restricted Assets represent resources subject to external restrictions on how they may be used. At June 30, 2014, the City had \$190,981 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 \$20,706,381, or 43.38% 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 \$3,296,712. The key elements of this increase are found in exhibit 5.

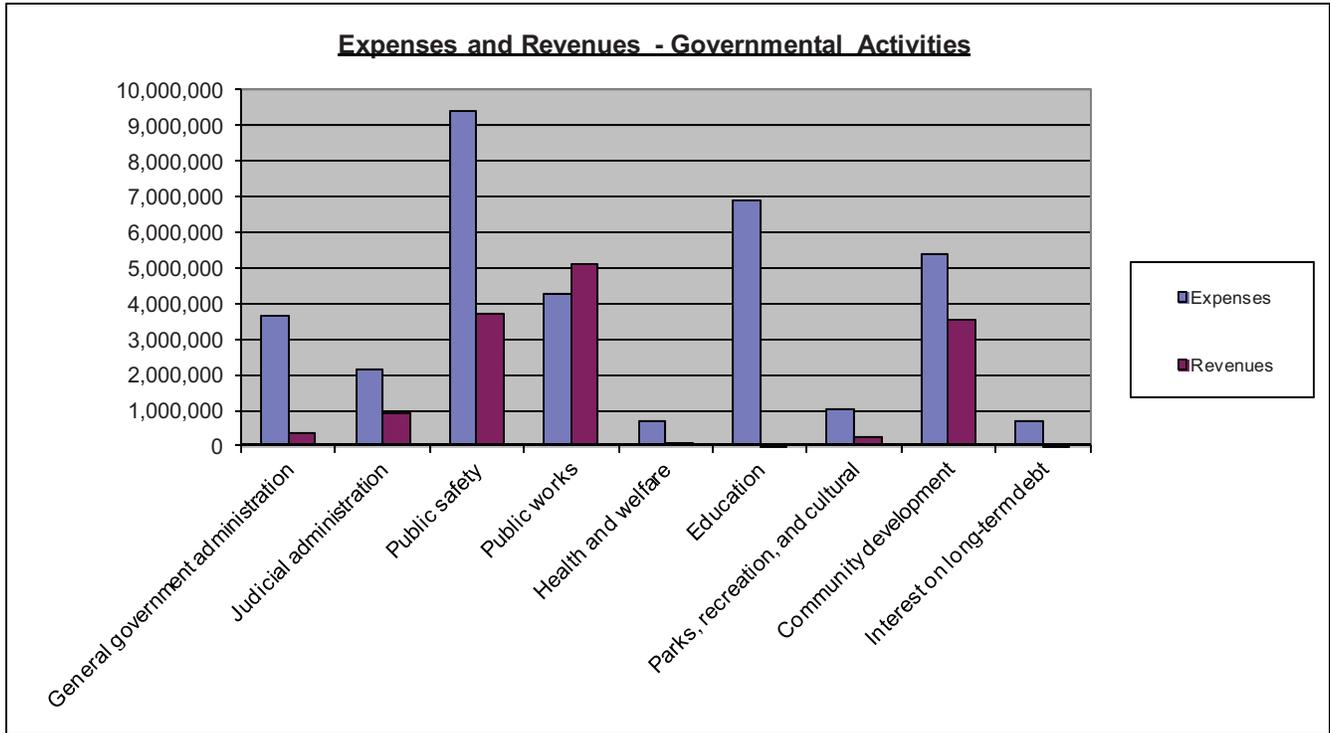
City of Martinsville, Virginia
Changes in Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 955,770	\$ 1,104,694	\$ 26,386,686	\$ 25,478,071	\$ 27,342,456	\$ 26,582,765
Operating grants and contributions	11,169,309	9,115,205	-	-	11,169,309	9,115,205
Capital grants and contributions	1,900,918	2,051,086	15,894	-	1,916,812	2,051,086
General revenues:						
General property taxes	9,063,889	8,815,665	-	-	9,063,889	8,815,665
Other local taxes	6,917,566	6,680,403	-	-	6,917,566	6,680,403
Commonwealth non-categorical aid	1,634,436	1,642,941	-	-	1,634,436	1,642,941
Other general revenues	1,328,734	947,989	25,930	26,213	1,354,664	974,202
Total revenues	<u>\$ 32,970,622</u>	<u>\$ 30,357,983</u>	<u>\$ 26,428,510</u>	<u>\$ 25,504,284</u>	<u>\$ 59,399,132</u>	<u>\$ 55,862,267</u>
Expenses:						
General government administration	\$ 3,652,928	\$ 3,632,201	\$ -	\$ -	\$ 3,652,928	\$ 3,632,201
Judicial administration	2,165,263	1,981,577	-	-	2,165,263	1,981,577
Public safety	9,418,417	9,393,253	-	-	9,418,417	9,393,253
Public works	4,265,599	4,957,877	-	-	4,265,599	4,957,877
Health and welfare	679,779	748,961	-	-	679,779	748,961
Education	6,876,345	5,800,158	-	-	6,876,345	5,800,158
Parks, recreation, and cultural	1,044,516	1,085,674	-	-	1,044,516	1,085,674
Community development	5,390,512	3,705,549	-	-	5,390,512	3,705,549
Interest on long-term debt	688,152	488,284	-	-	688,152	488,284
Electric	-	-	16,329,938	13,609,901	16,329,938	13,609,901
Water	-	-	1,744,194	1,756,400	1,744,194	1,756,400
Sewer	-	-	3,107,701	2,762,385	3,107,701	2,762,385
Refuse collection/landfill	-	-	1,490,749	1,566,262	1,490,749	1,566,262
Total expenses	<u>\$ 34,181,511</u>	<u>\$ 31,793,534</u>	<u>\$ 22,672,582</u>	<u>\$ 19,694,948</u>	<u>\$ 56,854,093</u>	<u>\$ 51,488,482</u>
Change in net position before transfers	\$ (1,210,889)	\$ (1,435,551)	\$ 3,755,928	\$ 5,809,336	\$ 2,545,039	\$ 4,373,785
Transfers	4,507,601	2,743,691	(4,507,601)	(2,743,691)	-	-
Change in net position	\$ 3,296,712	\$ 1,308,140	\$ (751,673)	\$ 3,065,645	\$ 2,545,039	\$ 4,373,785
Net position - beginning, as restated	17,049,858	15,741,718	28,135,650	25,070,005	45,185,508	40,811,723
Net position - ending	<u>\$ 20,346,570</u>	<u>\$ 17,049,858</u>	<u>\$ 27,383,977</u>	<u>\$ 28,135,650</u>	<u>\$ 47,730,547</u>	<u>\$ 45,185,508</u>

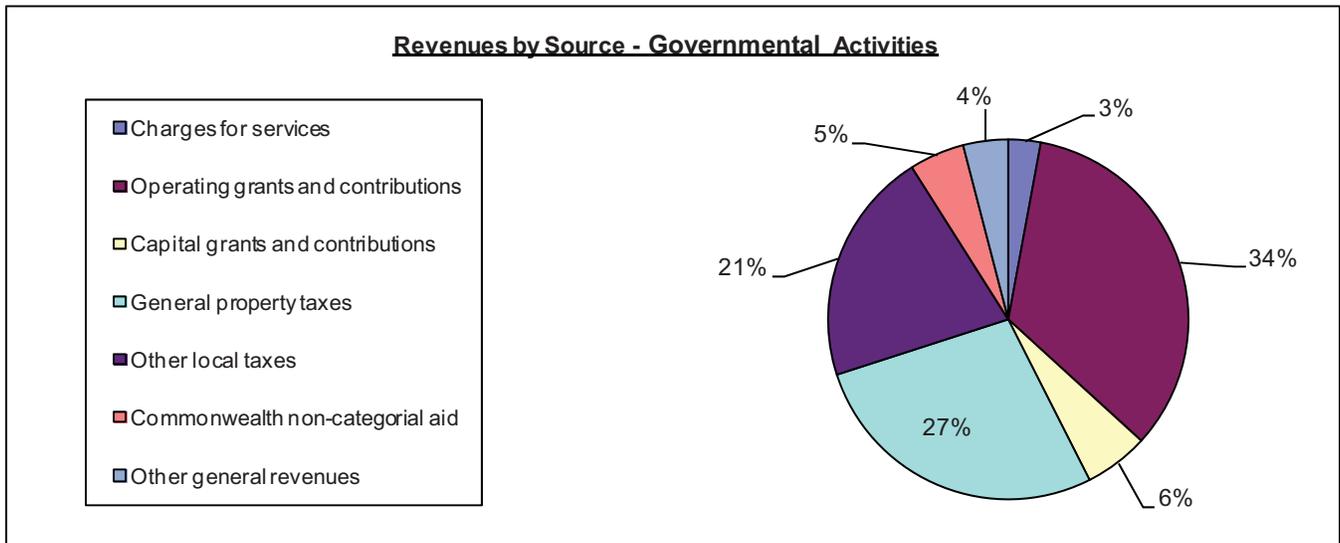
Revenues and transfers from governmental activities totaled \$37,478,223 with operating grants and contributions (33.9%), general property taxes (27.5%), and other local taxes (20.9%) comprising 82.35% of the City's revenues. Expenses for public safety (27.6%), education (20.2%), public works (12.5%), community development (15.7%), and general government administration (10.7%), account for 86.7% of total governmental expenses of \$34,181,511.

Government-wide Financial Analysis (Continued)

The chart below compares the revenues and expenses by program for governmental activities. In every category, except one, 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.



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



Business-type Activities decreased the City's net position by \$751,673 after deducting \$4,507,601 in transfers to the General and Capital Reserve Funds. Transfers increased \$1,763,910 compared to the prior fiscal year.

Financial Analysis of the City's Funds

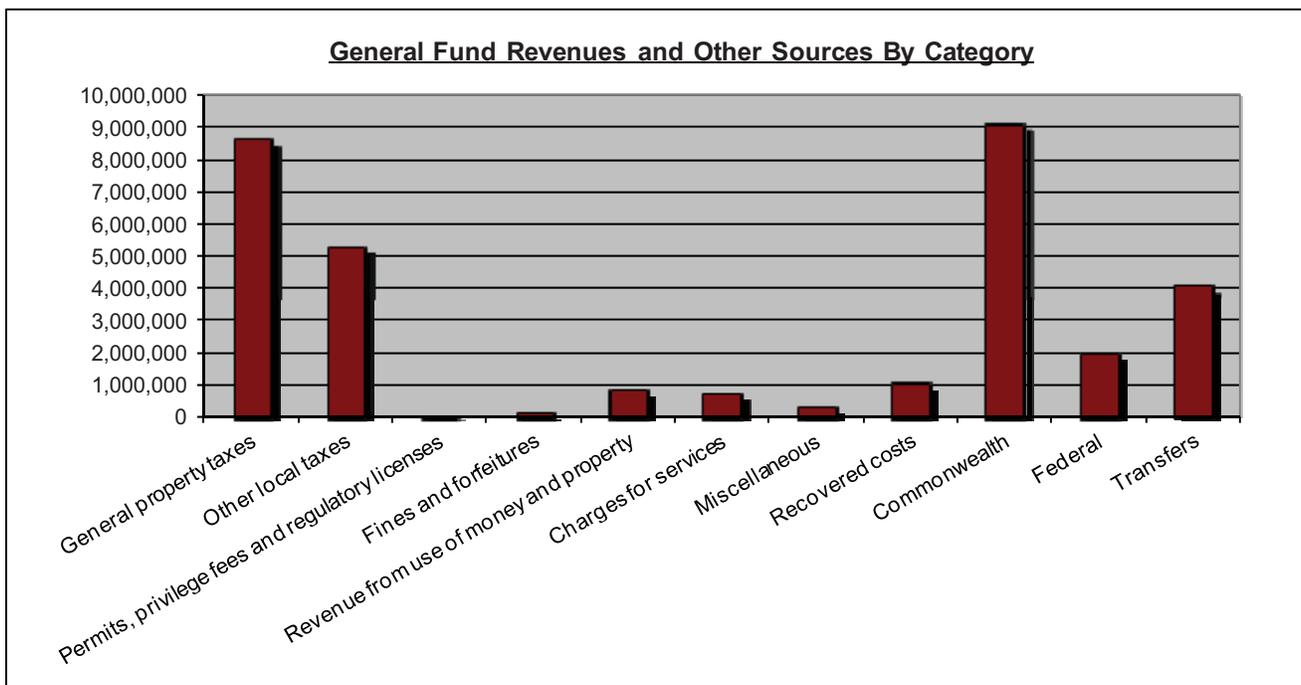
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 \$9,454,994, a decrease of \$264,008 when compared to the prior year. Forty-eight percent (\$4,544,853) of the combined governmental fund balance is unassigned. The remaining fifty-two percent (\$4,910,141) of the non-spendable, committed or assigned fund balance to show it is not available for spending because it has been nonspendable, committed or assigned for future projects.

The General Fund is the operating fund of the City. The General Fund reports a fund balance at June 30, 2014 of \$7,631,461. This is an increase from the prior year of \$402,274. The General Fund expenditures exceeded revenues in the current year by \$3,139,020; the expenditures exceeded revenues in FY13 by \$2,679,414. The transfer amounts into the General Fund of \$4,066,013 increased by \$1,531,697 compared to FY13. During FY14, transfers from the Proprietary Funds were maximized to keep tax rates as low as possible. There were transfers out of the General Fund of \$524,719. Almost sixty percent, or \$4,568,620, of the total fund balance is unassigned, an increase of \$36,439, compared to \$4,532,181 of unassigned fund balance from June 30, 2013. 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 14.53% of total General Fund expenditures, while total fund balance is 24.27% of that same amount.

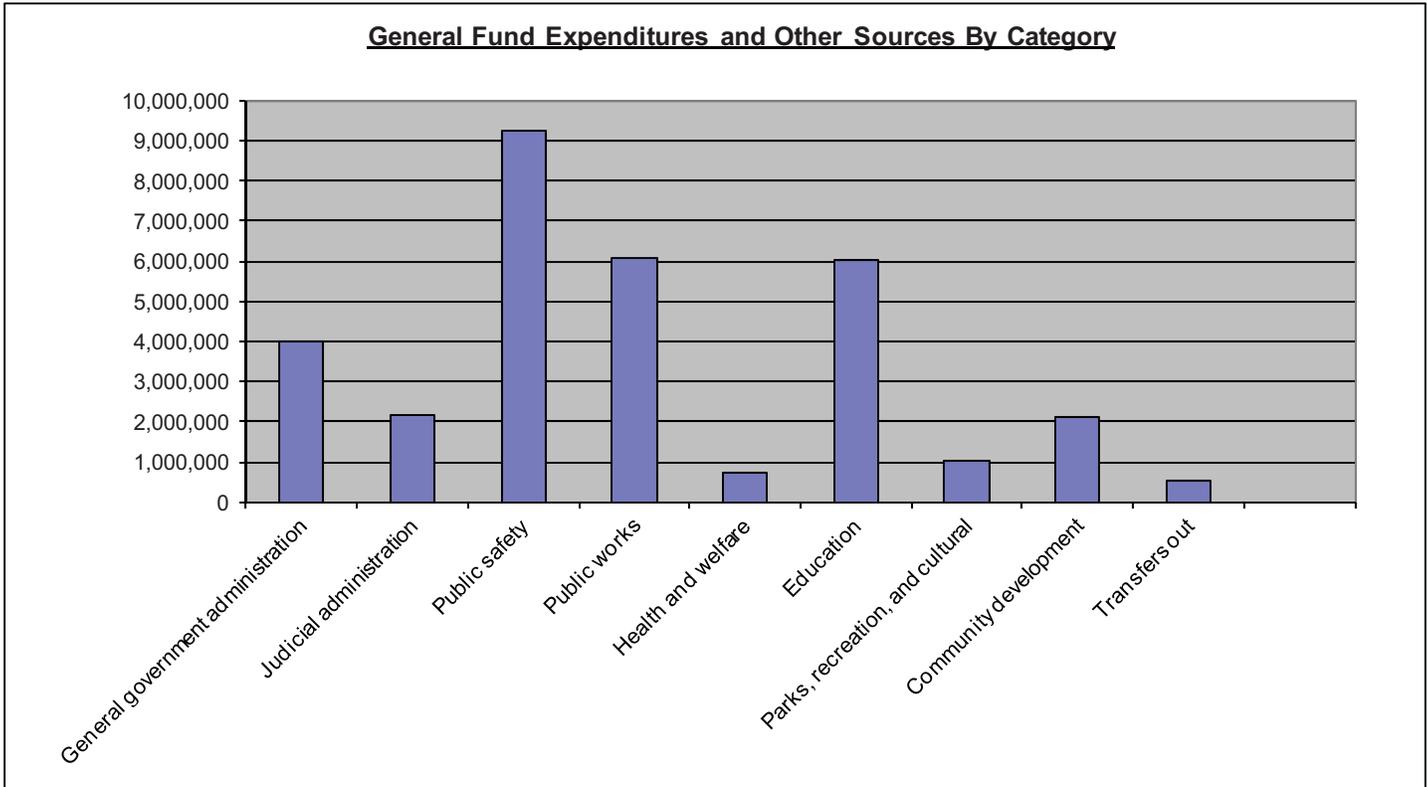
General Fund Revenues and Other Sources by Category

The following graph depicts General Fund revenues and other sources by categories. Total revenues and other sources are \$32,379,432, including transfers into the fund of \$4,066,013.



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 \$31,977,158.



Proprietary funds – reported combined ending net position of \$27,383,977, a decrease of \$751,673 in comparison with the amount reported on June 30, 2013. The Electric Fund decreased \$777,353; the Refuse Fund increased \$589,982; the Water Fund increased \$32,150; and the Sewer Fund decreased \$596,452.

The Enterprise Funds contributed \$4,507,601 in the support of other City operations. Of that amount \$4,066,013 was transferred to the General Fund and the remaining amount, \$441,588 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 \$2,162,047 or 8.37%, while expenditures increased by \$2,837,410 or 9.17%.

The Revenue increases were as follows:

- \$447 in Fines & Forfeitures
- \$6,045 in Miscellaneous Revenue
- \$111,152 in Recovered Costs
- \$79,083 in Intergovernmental revenues from the Commonwealth
- \$1,965,320 in Intergovernmental revenues from the Federal Government

General Fund Budgetary Highlights: (Continued)

The Expenditure amendments were as follows:

- \$81,627 in General government administration
- \$36,761 in Judicial administration
- \$350,412 in Public Safety
- \$5,380 in Health & Welfare
- \$2,203,748 in Public Works
- \$18,555 in Parks, Recreation, and Cultural
- \$140,927 in Community development

During the year, actual revenues were greater than budgeted by \$303,758 or 1.09%; actual expenditures were less than the budget by \$2,353,310 or 6.97%. The result was a positive variance of \$2,657,068 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, 2014, is \$46,053,078 (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 FY2014 were: patrol cars; trucks; garbage truck; EMS equipment; 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, 2014 and 2013

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 4,379,094	\$ 4,379,094	\$ 683,624	\$ 683,624	\$ 5,062,718	\$ 5,062,718
Construction in progress	13,226,128	9,995,340	16,950	16,950	13,243,078	10,012,290
Buildings and improvements	11,868,232	12,536,461	6,160,004	6,213,325	18,028,236	18,749,786
Infrastructure	30,533,944	30,533,944	56,613,441	55,629,836	87,147,385	86,163,780
Equipment	8,605,197	8,095,562	7,919,500	7,671,402	16,524,697	15,766,964
Total	\$ 68,612,595	\$ 65,540,401	\$ 71,393,519	\$ 70,215,137	\$ 140,006,114	\$ 135,755,538
Less: accumulated depreciation	<u>41,992,402</u>	<u>40,943,037</u>	<u>51,960,634</u>	<u>51,001,417</u>	<u>93,953,036</u>	<u>91,944,454</u>
Net capital assets	<u>\$ 26,620,193</u>	<u>\$ 24,597,364</u>	<u>\$ 19,432,885</u>	<u>\$ 19,213,720</u>	<u>\$ 46,053,078</u>	<u>\$ 43,811,084</u>

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

Long-term debt – At the close of FY2014, Martinsville City had total outstanding obligations of \$23,836,625. Of this amount, \$18,764,003 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 \$1,480,881 or 5.85%. The City’s obligations (other than OPEB) decreased \$4,186,572 and \$2,544,000 in debt was issued as older debt was refunded at substantial savings. No new debt was incurred.

Capital Asset and Debt Administration (Continued)

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, 2014 the City's ratio of Net General Obligation Debt to Assessed Value was 2.47%. 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 FY2014 Budget and Tax Rates

The FY14 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.

Looking Ahead – The Outlook for FY2015 - Opportunities and Challenges

The City faces opportunities and challenges in FY15, including the following issues:

- 1. Continued high levels of unemployment** – Martinsville continues to consistently have the highest unemployment rate in the state - the unemployment rate for the City on June 30, 2014 was 10.3%. While this was a decrease of 3.6% from the previous year's rate of 13.9%, the City's unemployment rate still compares unfavorably to the state's average unemployment rate of 5.3% and the national average of 6.1% 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. New College Institute, Patrick Henry Community College, and other groups continue with collaborative efforts to address this issue.
- 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 totaled \$924,678. However, in response to projected shortfalls in State budget revenues, the City was notified in late fall of 2014, the State was once again implementing reduction in aid to localities with Martinsville's reduction being \$110,184 for both FY15 and FY16.
- 3. Personnel Costs** – FY14 marked the first time in 6 years a cost of living adjustment was provided to employees (3%). There was a slight pay increase for approximately 20% of the employees under the City Manager in FY15 as the overall pay scale was adjusted by 7%, and certain employees then fell below plan minimum. Additionally, in FY15 and beyond, the rising cost of employee health care, needed adjustments in the pay/classification plan, coupled with state required increases in Virginia Retirement System contributions will place an additional burden on already-stretched budgets.

Looking Ahead – The Outlook for FY2015 - Opportunities and Challenges: (Continued)

- 4. Policy** - The City Council approves the annual budget following staff recommendations, its own analysis of the needs of the City including the City's overall financial position and 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, staff will continue to explore opportunities for revenue growth. Continued expansion/growth of the City's fiber optic system shows potential, but early system growth and development has required substantial capital investment for new infrastructure. The City continues to expand the service by providing Internet and/or telephone capabilities to the business community, and is working diligently to address the backlog of customers desiring to connect. 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. Consideration is being given to a more aggressive marketing strategy for the MiNet system and using the system capabilities as an economic development tool.
- 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 at less cost than providing the same service internally. FY15 begins the first year of a five-year contract for privatization of management of the Martinsville Mustangs, for example, that will see the City's management cost decrease to 0 in year 5, the 2019 season. The City will also be partnering with the Danville Housing Authority to transfer management of the City's housing operation, which is expected to improve efficiency while reducing costs.
- 7. Uptown Revitalization Projects** –In September of 2014, New College Institute held a grand opening for the recently completed approximate \$19 million, 52,000 sf building project on the Baldwin Block located in uptown Martinsville. The building houses an advanced manufacturing lab, various New College and Economic Development Corporation offices, and a "great hall" that provides state-of-the-art meeting space previously unavailable 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 plans to use an existing building located at the corner of Moss and Fayette Streets, and eventual plans to expand to other sites. Steps are progressing toward accreditation and in late 2014; the City received an \$800,000 Tobacco Region Opportunity Fund grant to help with the project.

During 2013, the City partnered with a Petersburg, Virginia development firm – Waukeshaw Development Corp. for redevelopment of the Henry Hotel. Purchased in 2009 by the City, the four-story Henry Hotel is located in uptown Martinsville and will 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 began construction during the fall of 2014, with plans for completion in

Looking Ahead – The Outlook for FY2015 - Opportunities and Challenges: (Continued)

late spring/early summer of 2015. Redevelopment of the hotel parallels renewed interest in business growth in uptown Martinsville that should ultimately generate additional employment opportunities and potential tax revenue.

In early 2014, the City partnered with the Martinsville-Henry County Chamber of Commerce's – Partnership for Economic Growth for management of West Piedmont Business Development Center – a business incubator located in the heart of Uptown Martinsville. The Chamber has worked diligently on financial sustainability of the incubator and continues to maintain an almost full occupancy of the facility. The partnership has proven to be such a success that preliminary discussions have occurred regarding the need for additional space.

- 8. Job Creation**—The City continues to partner with Henry County in economic development. Going into FY15, efforts will continue to retain current business and industry, provide an atmosphere conducive to expansion, as well as to attract new business and industry.
- 9. 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 well into the future. 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, which began in July, 2014. The City must plan for its share of the grading costs in the FY16 budget. Additionally, the EDC, County, and City once again partnered on the construction of another new shell building on a revenue sharing site in the Patriot Centre. The \$3 million, 90,000 sf facility was completed in September, 2014 with the goal of attracting new industry, investment, and job creation to this community.
- 11. Infrastructure Needs** – In early FY15, investigation regarding two important projects occurred – (1) an engineering assessment of an approximate 6 mile section of 36 and 42 inch diameter sewer line, and (2) the need for replacement of the City's aging water and electric meters. Combined, the two projects represent approximately \$30 million and efforts are ongoing to determine viable financing options for City Council's consideration.

All these factors were considered in preparing the City's budgets for the 2014 and 2015 fiscal years.

For fiscal year 2015, City Council approved a General Fund Budget of \$30,114,342 with no changes in the tax, rate, or fee schedule from the previous year.

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 8,896,018	\$ 9,955,711	\$ 18,851,729	\$ 1,740,307
Cash and cash equivalents - restricted	190,981	-	190,981	-
Receivables (net of allowance for uncollectibles):				
Property taxes	949,389	-	949,389	-
Accounts receivable	97,672	3,432,732	3,530,404	106,143
Inventory	3,090,721	921,469	4,012,190	-
Due from other governments	766,084	-	766,084	846,387
Prepaid items	6,131	-	6,131	-
Total Current Assets	\$ 13,996,996	\$ 14,309,912	\$ 28,306,908	\$ 2,692,837
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	6,151,974	3,085,211	9,237,185	7,835,227
Equipment	1,588,909	2,005,152	3,594,061	903,103
Construction in progress	13,226,128	16,950	13,243,078	-
Infrastructure	1,274,088	13,641,948	14,916,036	-
Total Net Capital Assets	\$ 26,620,193	\$ 19,432,885	\$ 46,053,078	\$ 8,785,502
Total Noncurrent Assets	\$ 26,620,193	\$ 19,432,885	\$ 46,053,078	\$ 8,785,502
Total Assets	\$ 40,617,189	\$ 33,742,797	\$ 74,359,986	\$ 11,478,339
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 1,591,049	\$ 833,700	\$ 2,424,749	\$ 1,872,841
Accrued interest payable	299,923	19,501	319,424	-
Unearned revenues	-	-	-	28,859
Current portion of long-term obligations	1,635,167	453,861	2,089,028	-
Total Current Liabilities	\$ 3,526,139	\$ 1,307,062	\$ 4,833,201	\$ 1,901,700
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations	\$ 16,695,839	\$ 5,051,758	\$ 21,747,597	\$ 85,000
Total Liabilities	\$ 20,221,978	\$ 6,358,820	\$ 26,580,798	\$ 1,986,700
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	\$ 48,641	\$ -	\$ 48,641	\$ -
NET POSITION				
Net investment in capital assets	\$ 9,025,281	\$ 17,998,885	\$ 27,024,166	\$ 8,785,502
Unrestricted	11,321,289	9,385,092	20,706,381	706,137
Total Net Position	\$ 20,346,570	\$ 27,383,977	\$ 47,730,547	\$ 9,491,639
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 40,617,189	\$ 33,742,797	\$ 74,359,986	\$ 11,478,339

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

CITY OF MARTINSVILLE, VIRGINIA

Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,652,928	\$ 27,323	\$ 310,483	\$ -
Judicial administration	2,165,263	177,396	738,874	-
Public safety	9,418,417	502,374	3,229,434	-
Public works	4,265,599	24,000	3,183,251	1,900,918
Health and welfare	679,779	-	106,284	-
Education	6,876,345	-	-	-
Parks, recreation, and cultural	1,044,516	224,677	34,111	-
Community development	5,390,512	-	3,566,872	-
Interest on long-term debt	688,152	-	-	-
Total governmental activities	\$ 34,181,511	\$ 955,770	\$ 11,169,309	\$ 1,900,918
Business-type activities:				
Electric	\$ 16,329,938	\$ 17,196,837	\$ -	\$ 15,894
Water	1,744,194	3,268,689	-	-
Sewer	3,107,701	3,840,429	-	-
Refuse collection / landfill	1,490,749	2,080,731	-	-
Total business-type activities	\$ 22,672,582	\$ 26,386,686	\$ -	\$ 15,894
Total primary government	\$ 56,854,093	\$ 27,342,456	\$ 11,169,309	\$ 1,916,812
COMPONENT UNIT:				
School Board	\$ 23,856,413	\$ 436,131	\$ 17,726,168	\$ -
General revenues:				
General property taxes				
Local sales tax				
Business license tax				
Meals tax				
Consumer utility tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
City contribution to the school board, unrestricted				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

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:				
\$ (3,315,122)	\$ -	\$ (3,315,122)	\$ -	General government administration
(1,248,993)	-	(1,248,993)	-	Judicial administration
(5,686,609)	-	(5,686,609)	-	Public safety
842,570	-	842,570	-	Public works
(573,495)	-	(573,495)	-	Health and welfare
(6,876,345)	-	(6,876,345)	-	Education
(785,728)	-	(785,728)	-	Parks, recreation, and cultural
(1,823,640)	-	(1,823,640)	-	Community development
(688,152)	-	(688,152)	-	Interest on long-term debt
<u>\$ (20,155,514)</u>	<u>\$ -</u>	<u>\$ (20,155,514)</u>	<u>\$ -</u>	Total government activities
Business-type activities:				
\$ -	\$ 882,793	\$ 882,793	\$ -	Electric
-	1,524,495	1,524,495	-	Water
-	732,728	732,728	-	Sewer
-	589,982	589,982	-	Refuse collection / landfill
<u>\$ -</u>	<u>\$ 3,729,998</u>	<u>\$ 3,729,998</u>	<u>\$ -</u>	Total business-type activities
<u>\$ (20,155,514)</u>	<u>\$ 3,729,998</u>	<u>\$ (16,425,516)</u>	<u>\$ -</u>	Total primary government
COMPONENT UNIT:				
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,694,114)</u>	School Board
General revenues:				
\$ 9,063,889	\$ -	\$ 9,063,889	\$ -	General property taxes
2,017,806	-	2,017,806	-	Local sales tax
1,807,604	-	1,807,604	-	Business license tax
1,583,889	-	1,583,889	-	Meals tax
669,664	-	669,664	-	Consumer utility tax
838,603	-	838,603	-	Other local taxes
925,705	25,930	951,635	50,014	Unrestricted revenues from use of money and property
403,029	-	403,029	145,472	Miscellaneous
1,634,436	-	1,634,436	-	Grants and contributions not restricted to specific programs
-	-	-	6,027,143	City contribution to the school board, unrestricted
4,507,601	(4,507,601)	-	-	Transfers
<u>\$ 23,452,226</u>	<u>\$ (4,481,671)</u>	<u>\$ 18,970,555</u>	<u>\$ 6,222,629</u>	Total general revenues and transfers
<u>\$ 3,296,712</u>	<u>\$ (751,673)</u>	<u>\$ 2,545,039</u>	<u>\$ 528,515</u>	Change in net position
<u>17,049,858</u>	<u>28,135,650</u>	<u>45,185,508</u>	<u>8,963,124</u>	Net position - beginning
<u>\$ 20,346,570</u>	<u>\$ 27,383,977</u>	<u>\$ 47,730,547</u>	<u>\$ 9,491,639</u>	Net position - ending

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2014

	General	Meals Tax Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 7,215,857	\$ 860,454	\$ 819,707	\$ 8,896,018
Cash and cash equivalents - restricted	-	155,869	35,112	190,981
Receivables (net of allowance for uncollectibles):				
Taxes, including penalties	949,389	-	-	949,389
Accounts	97,672	-	-	97,672
Inventory	987,769	-	-	987,769
Due from other governments	627,988	-	138,096	766,084
Prepaid items	6,131	-	-	6,131
Total assets	<u>\$ 9,884,806</u>	<u>\$ 1,016,323</u>	<u>\$ 992,915</u>	<u>\$ 11,894,044</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 1,405,344	\$ 24,268	\$ 161,437	\$ 1,591,049
Total liabilities	<u>\$ 1,405,344</u>	<u>\$ 24,268</u>	<u>\$ 161,437</u>	<u>\$ 1,591,049</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 848,001	\$ -	\$ -	\$ 848,001
FUND BALANCES				
Nonspendable:				
Inventory	\$ 987,769	-	-	\$ 987,769
Prepaid items	6,131	-	-	6,131
Restricted:				
Capital projects	-	155,869	35,112	190,981
Committed:				
Centre infrastructure project	1,666,700	-	-	1,666,700
Piedmont Area Regional Transit	28,725	-	-	28,725
General government administration	2,611	-	-	2,611
Judicial administration	31,378	-	-	31,378
Public safety	256,601	-	-	256,601
Public works	51,502	-	-	51,502
Health and welfare	6,424	-	-	6,424
Housing Choice program	-	-	395,408	395,408
Assigned:				
Thoroughfare construction	25,000	-	-	25,000
Capital reserve fund	-	-	424,725	424,725
Meals tax fund	-	836,186	-	836,186
Unassigned	4,568,620	-	(23,767)	4,544,853
Total fund balances	<u>\$ 7,631,461</u>	<u>\$ 992,055</u>	<u>\$ 831,478</u>	<u>\$ 9,454,994</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,884,806</u>	<u>\$ 1,016,323</u>	<u>\$ 992,915</u>	<u>\$ 11,894,044</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	\$ 9,454,994
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	26,620,193
Inventory of land and buildings held for resale	2,102,952
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(299,923)
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.	799,360
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.	(18,331,006)
Net position of General Government Activities	<u>\$ 20,346,570</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, 2014

	<u>General</u>	<u>Meals Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
General property taxes	\$ 8,683,569	\$ -	\$ -	\$ 8,683,569
Other local taxes	5,333,677	1,583,889	-	6,917,566
Permits, privilege fees and regulatory licenses	83,931	-	-	83,931
Fines and forfeitures	126,049	-	-	126,049
Revenue from use of money and property	853,721	1,754	70,230	925,705
Charges for services	745,790	-	-	745,790
Miscellaneous	307,384	-	95,645	403,029
Recovered costs	1,041,507	-	-	1,041,507
Intergovernmental:				
Commonwealth	9,150,812	-	-	9,150,812
Federal	1,986,979	366,792	3,200,080	5,553,851
Total revenues	\$ 28,313,419	\$ 1,952,435	\$ 3,365,955	\$ 33,631,809
Expenditures:				
Current:				
General government administration	\$ 4,012,919	\$ 49,906	\$ 221,733	\$ 4,284,558
Judicial administration	2,164,763	-	-	2,164,763
Public safety	9,263,414	-	582,275	9,845,689
Public works	6,098,946	-	12,843	6,111,789
Health and welfare	720,419	-	-	720,419
Education	6,044,863	1,296,918	-	7,341,781
Parks, recreation, and cultural	1,014,790	-	-	1,014,790
Community development	2,132,325	-	2,903,274	5,035,599
Debt service:				
Principal retirement	-	904,364	2,009,341	2,913,705
Interest and other fiscal charges	-	620,759	101,566	722,325
Total expenditures	\$ 31,452,439	\$ 2,871,947	\$ 5,831,032	\$ 40,155,418
Excess (deficiency) of revenues over (under) expenditures	\$ (3,139,020)	\$ (919,512)	\$ (2,465,077)	\$ (6,523,609)
Other financing sources (uses):				
Issuance of debt	\$ -	\$ -	\$ 1,752,000	\$ 1,752,000
Transfers in	4,066,013	-	1,291,528	5,357,541
Transfers (out)	(524,719)	(325,221)	-	(849,940)
Total other financing sources (uses)	\$ 3,541,294	\$ (325,221)	\$ 3,043,528	\$ 6,259,601
Changes in fund balances	\$ 402,274	\$ (1,244,733)	\$ 578,451	\$ (264,008)
Fund balances at beginning of year	7,229,187	2,236,788	253,027	9,719,002
Fund balances at end of year	\$ 7,631,461	\$ 992,055	\$ 831,478	\$ 9,454,994

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, 2014

		<u>Primary Government Governmental Funds</u>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Net change in fund balances - total governmental funds	\$	(264,008)
<p>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.</p>		
Capital outlays	\$ 3,881,624	
Depreciation expense	<u>(816,863)</u>	3,064,761
Inventory of land and buildings purchased during the year and held for resale		(300,056)
Transfer of joint tenancy assets from Primary Government to the Component Unit		(710,803)
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 unavailable taxes.		380,320
<p>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.</p>		
<p>Details supporting this adjustment are as follows:</p>		
Principal retired on debt on literary fund loans	\$ 625,000	
Principal retired on general obligation bonds	2,049,500	
Principal retired on capital lease	89,091	
Principal retired on VPA subsidy bonds	150,114	
Issuance of refunding bonds	<u>(1,752,000)</u>	1,161,705
<p>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:</p>		
Change in compensated absences	\$ (58,379)	
Change in Net OPEB obligation	(11,000)	
Change in accrued interest payable	<u>34,172</u>	<u>(35,207)</u>
Change in net position of governmental activities	\$	<u><u>3,296,712</u></u>

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

Proprietary Funds
Statement of Net Position
At June 30, 2014

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Collection/ Landfill Fund</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 2,307,467	\$ 393,505	\$ 536,109	\$ 6,718,630	\$ 9,955,711
Receivables (net of allowance for uncollectibles):	2,381,367	423,011	381,428	246,926	3,432,732
Inventory	771,425	150,044	-	-	921,469
Total current assets	<u>\$ 5,460,259</u>	<u>\$ 966,560</u>	<u>\$ 917,537</u>	<u>\$ 6,965,556</u>	<u>\$ 14,309,912</u>
Noncurrent Assets					
Capital assets:					
Land	\$ -	\$ 658,224	\$ 25,400	\$ -	\$ 683,624
Construction in progress	16,950	-	-	-	16,950
Buildings and improvements	586,744	1,694,104	1,069,859	2,809,297	6,160,004
Equipment	2,440,853	1,590,502	2,251,247	1,636,898	7,919,500
Infrastructure	28,930,631	11,632,324	16,050,486	-	56,613,441
Accumulated depreciation	<u>(22,746,758)</u>	<u>(11,149,772)</u>	<u>(16,057,120)</u>	<u>(2,006,984)</u>	<u>(51,960,634)</u>
Total capital assets (net of accumulated depreciation)	<u>\$ 9,228,420</u>	<u>\$ 4,425,382</u>	<u>\$ 3,339,872</u>	<u>\$ 2,439,211</u>	<u>\$ 19,432,885</u>
Total assets	<u>\$ 14,688,679</u>	<u>\$ 5,391,942</u>	<u>\$ 4,257,409</u>	<u>\$ 9,404,767</u>	<u>\$ 33,742,797</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 68,967	\$ 58,912	\$ 324,433	\$ 66,527	\$ 518,839
Customers' deposits	275,626	39,235	-	-	314,861
Interest payable	788	-	1,272	17,441	19,501
Current portion of long-term obligations	<u>22,611</u>	<u>4,724</u>	<u>23,128</u>	<u>403,398</u>	<u>453,861</u>
Total current liabilities	<u>\$ 367,992</u>	<u>\$ 102,871</u>	<u>\$ 348,833</u>	<u>\$ 487,366</u>	<u>\$ 1,307,062</u>
Noncurrent liabilities:					
Noncurrent portion of long-term obligations	<u>136,497</u>	<u>42,517</u>	<u>172,470</u>	<u>4,700,274</u>	<u>5,051,758</u>
Total liabilities	<u>\$ 504,489</u>	<u>\$ 145,388</u>	<u>\$ 521,303</u>	<u>\$ 5,187,640</u>	<u>\$ 6,358,820</u>
NET POSITION					
Net investment in capital assets	\$ 9,115,420	\$ 4,425,382	\$ 3,222,977	\$ 1,235,106	\$ 17,998,885
Unrestricted	<u>5,068,770</u>	<u>821,172</u>	<u>513,129</u>	<u>2,982,021</u>	<u>9,385,092</u>
Total Net Position	<u>\$ 14,184,190</u>	<u>\$ 5,246,554</u>	<u>\$ 3,736,106</u>	<u>\$ 4,217,127</u>	<u>\$ 27,383,977</u>
Total Liabilities and Net Position	<u>\$ 14,688,679</u>	<u>\$ 5,391,942</u>	<u>\$ 4,257,409</u>	<u>\$ 9,404,767</u>	<u>\$ 33,742,797</u>

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

Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2014

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Collection/ Landfill Fund</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 17,020,596	\$ 3,138,393	\$ 3,838,740	\$ 1,668,284	\$ 25,666,013
Miscellaneous	176,241	130,296	1,689	412,447	720,673
Total operating revenues	<u>\$ 17,196,837</u>	<u>\$ 3,268,689</u>	<u>\$ 3,840,429</u>	<u>\$ 2,080,731</u>	<u>\$ 26,386,686</u>
Operating expenses:					
Personnel services	\$ 538,353	\$ 546,464	\$ 864,987	\$ 208,101	\$ 2,157,905
Fringe benefits	177,082	211,231	371,444	70,788	830,545
Contractual services	139,314	29,142	235,920	630,333	1,034,709
Other charges	15,099,324	738,172	1,399,371	335,720	17,572,587
Depreciation	370,904	219,185	232,698	186,215	1,009,002
Total operating expenses	<u>\$ 16,324,977</u>	<u>\$ 1,744,194</u>	<u>\$ 3,104,420</u>	<u>\$ 1,431,157</u>	<u>\$ 22,604,748</u>
Operating income (loss)	<u>\$ 871,860</u>	<u>\$ 1,524,495</u>	<u>\$ 736,009</u>	<u>\$ 649,574</u>	<u>\$ 3,781,938</u>
Nonoperating revenues (expenses):					
Federal grants	\$ 12,010	\$ -	\$ -	\$ -	\$ 12,010
State grants	3,884	-	-	-	3,884
Interest income	418	-	25,512	-	25,930
Interest expense	(4,961)	-	(3,281)	(59,592)	(67,834)
Total nonoperating revenues (expenses)	<u>\$ 11,351</u>	<u>\$ -</u>	<u>\$ 22,231</u>	<u>\$ (59,592)</u>	<u>\$ (26,010)</u>
Income (loss) before transfers	<u>\$ 883,211</u>	<u>\$ 1,524,495</u>	<u>\$ 758,240</u>	<u>\$ 589,982</u>	<u>\$ 3,755,928</u>
Transfers:					
Transfers (out)	<u>(1,660,564)</u>	<u>(1,492,345)</u>	<u>(1,354,692)</u>	<u>-</u>	<u>(4,507,601)</u>
Changes in net position	<u>\$ (777,353)</u>	<u>\$ 32,150</u>	<u>\$ (596,452)</u>	<u>\$ 589,982</u>	<u>\$ (751,673)</u>
Net position at beginning of year	<u>14,961,543</u>	<u>5,214,404</u>	<u>4,332,558</u>	<u>3,627,145</u>	<u>28,135,650</u>
Net position at end of year	<u>\$ 14,184,190</u>	<u>\$ 5,246,554</u>	<u>\$ 3,736,106</u>	<u>\$ 4,217,127</u>	<u>\$ 27,383,977</u>

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

Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2014

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 17,143,965	\$ 3,279,460	\$ 3,844,333	\$ 2,070,498	\$ 26,338,256
Payments to suppliers and other operating expenses	(15,220,668)	(845,206)	(1,443,539)	(943,391)	(18,452,804)
Payments to employees (including fringe benefits)	(717,592)	(758,242)	(1,225,187)	(278,889)	(2,979,910)
Net cash provided by (used for) operating activities	<u>\$ 1,205,705</u>	<u>\$ 1,676,012</u>	<u>\$ 1,175,607</u>	<u>\$ 848,218</u>	<u>\$ 4,905,542</u>
Cash Flows From Capital and Related Financing Activities:					
Purchase and construction of capital assets	\$ (779,319)	\$ (178,989)	\$ (262,389)	\$ (7,467)	\$ (1,228,164)
Federal and state grants	15,894	-	-	-	15,894
Interest expense	(6,071)	-	(3,443)	(71,492)	(81,006)
Net cash provided by (used for) capital and related financing activities	<u>\$ (769,496)</u>	<u>\$ (178,989)</u>	<u>\$ (265,832)</u>	<u>\$ (78,959)</u>	<u>\$ (1,293,276)</u>
Cash Flows From Noncapital Financing Activities:					
Transfers	\$ (1,660,564)	\$ (1,492,345)	\$ (1,354,692)	\$ -	\$ (4,507,601)
Retirements of general obligation bonds	(14,301)	-	(14,720)	(370,679)	(399,700)
Due from other funds	-	-	-	815,517	815,517
Net cash provided by (used for) noncapital financing activities	<u>\$ (1,674,865)</u>	<u>\$ (1,492,345)</u>	<u>\$ (1,369,412)</u>	<u>\$ 444,838</u>	<u>\$ (4,091,784)</u>
Cash Flows From Investing Activities:					
Interest income	\$ 418	\$ -	\$ 25,512	\$ -	\$ 25,930
Net Increase (decrease) in cash and cash equivalents	\$ (1,238,238)	\$ 4,678	\$ (434,125)	\$ 1,214,097	\$ (453,588)
Cash and cash equivalents at beginning of year	3,545,705	388,828	970,233	5,504,533	10,409,299
Cash and cash equivalents at end of year	<u>\$ 2,307,467</u>	<u>\$ 393,506</u>	<u>\$ 536,108</u>	<u>\$ 6,718,630</u>	<u>\$ 9,955,711</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 871,860	\$ 1,524,495	\$ 736,009	\$ 649,574	\$ 3,781,938
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	\$ 370,904	\$ 219,185	\$ 232,698	\$ 186,215	\$ 1,009,002
Changes in operating assets and liabilities:					
(Increase) in accounts receivable	(61,244)	8,491	3,904	(10,233)	(59,082)
Increase (decrease) in:					
Accounts payable	17,970	(77,892)	191,752	22,662	154,492
Compensated absences	(2,157)	(547)	11,244	-	8,540
Customer deposits	8,372	2,280	-	-	10,652
Total adjustments	<u>\$ 333,845</u>	<u>\$ 151,517</u>	<u>\$ 439,598</u>	<u>\$ 198,644</u>	<u>\$ 1,123,604</u>
Net cash provided by (used for) operating activities	<u>\$ 1,205,705</u>	<u>\$ 1,676,012</u>	<u>\$ 1,175,607</u>	<u>\$ 848,218</u>	<u>\$ 4,905,542</u>

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

Statement of Fiduciary Net Position --
Agency Funds
At June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>1,245,647</u>
Total assets	\$ <u><u>1,245,647</u></u>
LIABILITIES	
Accounts payable	\$ 58,878
Amounts held for others	<u>1,186,769</u>
Total liabilities	\$ <u><u>1,245,647</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, 2014

Note 1—Summary of Significant Accounting Policies:

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

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

Management's Discussion and Analysis - 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, 2014 (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, 2014 (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, 2014.

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, 2014.

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, 2014 (Continued)

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

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

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, 2014 (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 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 reports the following nonmajor governmental funds:

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

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

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

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

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

F. Investments (Continued)

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

G. Receivables and payables

Activity between funds that 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 \$1,875,579 at June 30, 2014 is composed of the following:

General Fund

Allowance for uncollectible property taxes	\$ <u>258,800</u>
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Enterprise Funds

Allowance for uncollectible accounts:

Electric Fund	\$ 1,118,172
Water Fund	196,086
Sewer Fund	179,280
Refuse Collection/Landfill Fund	<u>123,241</u>
Total allowance for uncollectible accounts – Enterprise funds	\$ <u>1,616,779</u>
Total allowance for uncollectible accounts	<u>\$ 1,875,579</u>

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

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

H. Inventory

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

I. Prepaid Items

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

J. Capital Assets

Capital assets, 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, 2014 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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

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

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, 2014.

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

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

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.

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).

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

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

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.

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, 2014 (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 budgetary 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, 2014:

<u>Fund/ Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess of Expenditures Over Appropriations</u>
City Grants Fund	\$ 888,728	\$ 1,176,045	\$ (287,317)
Capital Reserve Fund	<u>1,380,495</u>	<u>2,927,758</u>	<u>(1,547,263)</u>
	<u>\$ 2,269,223</u>	<u>\$ 4,103,803</u>	<u>\$ (1,834,580)</u>

Fund Deficits

The following funds had deficit balances at June 30, 2014:

City Grants Fund	\$ (23,767)
School Grants Fund	(8,454)

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 3—Deposits and Investments:

Deposits:

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

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 \$1,740,307 at June 30, 2014.

Note 4—Due from Other Governments:

At June 30, 2014 the City has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
Local Sales Tax	\$ 214,554	\$ -
State Sales Tax	-	155,541
Constitutional officer reimbursements	245,151	-
Fire grant	6,563	-
Miscellaneous grants	37,865	14,811
Comprehensive service	20,908	-
Communication taxes	76,691	-
Technology grant	-	222,400
Federal Government:		
National guard armory	7,731	-
DMV grant - police dept	6,895	-
Housing choice	57,889	-
Senior citizens grant	2,514	-
Community development block grant	80,207	-
Alcohol traffic safety	6,895	-
Emergency management performance	2,221	-
School fund grants	-	453,635
Total due from other governments	<u>\$ 766,084</u>	<u>\$ 846,387</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 5—Inventory:

At June 30, 2014 the City has inventory recorded in the various funds as follows:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Expendable supplies	\$ 987,769	\$ 921,469
Land and building inventory held for resale:		
77 Commercial & residential lots held for resale	1,391,032	-
8 Commercial & residential buildings held for resale	711,920	-
Totals	<u>\$ 3,090,721</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, 2014:

Primary Government:

Governmental Activities:

	<u>Restated Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 4,379,094	\$ -	\$ -	\$ 4,379,094
Construction in progress	9,995,340	3,230,788	-	13,226,128
Total capital assets not being depreciated	<u>\$ 14,374,434</u>	<u>\$ 3,230,788</u>	<u>\$ -</u>	<u>\$ 17,605,222</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 7,041,044	\$ -	\$ -	\$ 7,041,044
Equipment	8,095,562	650,836	141,201	8,605,197
Infrastructure	30,533,944	-	-	30,533,944
Jointly owned assets	5,537,991	-	710,803	4,827,188
Total capital assets being depreciated	<u>\$ 51,208,541</u>	<u>\$ 650,836</u>	<u>\$ 852,004</u>	<u>\$ 51,007,373</u>
Accumulated depreciation:				
Buildings and improvements	\$ 3,457,322	\$ 164,890	\$ -	\$ 3,622,212
Equipment	6,767,870	389,619	141,201	7,016,288
Infrastructure	29,118,182	141,674	-	29,259,856
Jointly owned assets	1,973,366	120,680	-	2,094,046
Total accumulated depreciation	<u>\$ 41,316,740</u>	<u>\$ 816,863</u>	<u>\$ 141,201</u>	<u>\$ 41,992,402</u>
Total capital assets being depreciated, net	<u>\$ 9,891,801</u>	<u>\$ (166,027)</u>	<u>\$ 710,803</u>	<u>\$ 9,014,971</u>
Governmental activities capital assets, net	<u>\$ 24,266,235</u>	<u>\$ 3,064,761</u>	<u>\$ 710,803</u>	<u>\$ 26,620,193</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

	Balance As Previously Reported June 30, 2013	Adjustments	Balance As Restated July ,1 2013
Capital assets, not being depreciated:			
Land	\$ 4,379,094	\$ -	\$ 4,379,094
Construction in progress	9,995,340	-	9,995,340
Total capital assets not being depreciated	<u>\$ 14,374,434</u>	<u>\$ -</u>	<u>\$ 14,374,434</u>
Capital assets being depreciated:			
Buildings and improvements	\$ 7,041,044	\$ -	\$ 7,041,044
Equipment	8,095,562	-	8,095,562
Infrastructure	30,533,944	-	30,533,944
Jointly owned assets	5,495,417	42,574	5,537,991
Total capital assets being depreciated	<u>\$ 51,165,967</u>	<u>\$ 42,574</u>	<u>\$ 51,208,541</u>
Accumulated depreciation:			
Buildings and improvements	\$ 3,457,322	\$ -	\$ 3,457,322
Equipment	6,767,870	-	6,767,870
Infrastructure	29,118,182	-	29,118,182
Jointly owned assets	1,599,663	373,703	1,973,366
Total accumulated depreciation	<u>\$ 40,943,037</u>	<u>\$ 373,703</u>	<u>\$ 41,316,740</u>
Total capital assets being depreciated, net	<u>\$ 10,222,930</u>	<u>\$ (331,129)</u>	<u>\$ 9,891,801</u>
Governmental activities capital assets, net	<u>\$ 24,597,364</u>	<u>\$ (331,129)</u>	<u>\$ 24,266,235</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government:

Business-type Activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</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	2,460,151	19,497	38,795	2,440,853
Infrastructure	28,170,808	759,823	-	28,930,631
Total capital assets being depreciated	\$ 31,217,703	\$ 779,320	\$ 38,795	\$ 31,958,228
Accumulated depreciation:				
Buildings and improvements	\$ 586,487	\$ 129	\$ -	\$ 586,616
Equipment	1,950,568	113,096	38,795	2,024,869
Infrastructure	19,877,594	257,679	-	20,135,273
Total accumulated depreciation	\$ 22,414,649	\$ 370,904	\$ 38,795	\$ 22,746,758
Total capital assets being depreciated, net	\$ 8,803,054	\$ 408,416	\$ -	\$ 9,211,470
Electric fund capital assets, net	\$ 8,820,004	\$ 408,416	\$ -	\$ 9,228,420

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Water Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 658,224	\$ -	\$ -	\$ 658,224
Capital assets being depreciated:				
Buildings and improvements	\$ 1,672,846	\$ 21,258	\$ -	\$ 1,694,104
Equipment	1,555,960	34,542	-	1,590,502
Infrastructure	11,509,133	123,191	-	11,632,324
Total capital assets being depreciated	\$ 14,737,939	\$ 178,991	\$ -	\$ 14,916,930
Accumulated depreciation:				
Buildings and improvements	\$ 1,069,960	\$ 43,053	\$ -	\$ 1,113,013
Equipment	999,571	45,994	-	1,045,565
Infrastructure	8,861,055	130,139	-	8,991,194
Total accumulated depreciation	\$ 10,930,586	\$ 219,186	\$ -	\$ 11,149,772
Total capital assets being depreciated, net	\$ 3,807,353	\$ (40,195)	\$ -	\$ 3,767,158
Water fund capital assets, net	\$ 4,465,577	\$ (40,195)	\$ -	\$ 4,425,382

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</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	2,139,904	122,333	10,990	2,251,247
Infrastructure	15,910,430	140,056	-	16,050,486
Total capital assets being depreciated	<u>\$ 19,120,193</u>	<u>\$ 262,389</u>	<u>\$ 10,990</u>	<u>\$ 19,371,592</u>
Accumulated depreciation:				
Buildings and improvements	\$ 846,468	\$ 20,031	\$ -	\$ 866,499
Equipment	1,290,440	66,145	10,990	1,345,595
Infrastructure	13,698,503	146,523	-	13,845,026
Total accumulated depreciation	<u>\$ 15,835,411</u>	<u>\$ 232,699</u>	<u>\$ 10,990</u>	<u>\$ 16,057,120</u>
Total capital assets being depreciated, net	<u>\$ 3,284,782</u>	<u>\$ 29,690</u>	<u>\$ -</u>	<u>\$ 3,314,472</u>
Sewer fund capital asset, net	<u>\$ 3,310,182</u>	<u>\$ 29,690</u>	<u>\$ -</u>	<u>\$ 3,339,872</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Refuse Collection/Landfill Fund:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,809,297	\$ -	\$ -	\$ 2,809,297
Equipment	<u>1,629,431</u>	<u>7,467</u>	<u>-</u>	<u>1,636,898</u>
Total capital assets being depreciated	<u>\$ 4,438,728</u>	<u>\$ 7,467</u>	<u>\$ -</u>	<u>\$ 4,446,195</u>
Accumulated depreciation:				
Buildings and improvements	\$ 372,664	\$ 136,001	\$ -	\$ 508,665
Equipment	<u>1,448,107</u>	<u>50,212</u>	<u>-</u>	<u>1,498,319</u>
Total accumulated depreciation	<u>\$ 1,820,771</u>	<u>\$ 186,213</u>	<u>\$ -</u>	<u>\$ 2,006,984</u>
Total capital assets being depreciated, net	<u>\$ 2,617,957</u>	<u>\$ (178,746)</u>	<u>\$ -</u>	<u>\$ 2,439,211</u>
Refuse collection/landfill fund capital assets, net	<u><u>\$ 2,617,957</u></u>	<u><u>\$ (178,746)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,439,211</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Total Business-type Activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 683,624	\$ -	\$ -	\$ 683,624
Construction in progress	<u>16,950</u>	<u>-</u>	<u>-</u>	<u>16,950</u>
Total capital assets not being depreciated	<u>\$ 700,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,574</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,138,746	\$ 21,258	\$ -	\$ 6,160,004
Equipment	7,785,446	183,839	49,785	7,919,500
Infrastructure	<u>55,590,371</u>	<u>1,023,070</u>	<u>-</u>	<u>56,613,441</u>
Total capital assets being depreciated	<u>\$ 69,514,563</u>	<u>\$ 1,228,167</u>	<u>\$ 49,785</u>	<u>\$ 70,692,945</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,875,579	\$ 199,214	\$ -	\$ 3,074,793
Equipment	5,688,686	275,447	49,785	5,914,348
Infrastructure	<u>42,437,152</u>	<u>534,341</u>	<u>-</u>	<u>42,971,493</u>
Total accumulated depreciation	<u>\$ 51,001,417</u>	<u>\$ 1,009,002</u>	<u>\$ 49,785</u>	<u>\$ 51,960,634</u>
Total capital assets being depreciated, net	<u>\$ 18,513,146</u>	<u>\$ 219,165</u>	<u>\$ -</u>	<u>\$ 18,732,311</u>
Total Business-type capital assets, net	<u>\$ 19,213,720</u>	<u>\$ 219,165</u>	<u>\$ -</u>	<u>\$ 19,432,885</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 6—Capital Assets: (Continued)

Discretely Presented Component Unit—School Board:

	Restated Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Discretely Presented Component Unit-School Board:				
Capital assets, not being depreciated:				
Land	\$ 47,172	\$ -	\$ -	\$ 47,172
Capital assets being depreciated:				
Buildings and improvements	\$ 7,378,395	\$ -	\$ -	\$ 7,378,395
Equipment	2,703,497	361,596	-	3,065,093
Jointly owned assets	8,898,768	710,803	-	9,609,571
Total capital assets being depreciated	<u>\$ 18,980,660</u>	<u>\$ 1,072,399</u>	<u>\$ -</u>	<u>\$ 20,053,059</u>
Accumulated depreciation:				
Buildings and improvements	\$ 5,702,880	\$ 38,701	\$ -	\$ 5,741,581
Equipment	2,021,151	140,839	-	2,161,990
Jointly owned assets	3,170,919	240,239	-	3,411,158
Total accumulated depreciation	<u>\$ 10,894,950</u>	<u>\$ 419,779</u>	<u>\$ -</u>	<u>\$ 11,314,729</u>
Total capital assets being depreciated, net	<u>\$ 8,085,710</u>	<u>\$ 652,620</u>	<u>\$ -</u>	<u>\$ 8,738,330</u>
School Board capital assets, net	<u>\$ 8,132,882</u>	<u>\$ 652,620</u>	<u>\$ -</u>	<u>\$ 8,785,502</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 6—Capital Assets: (Continued)

Discretely Presented Component Unit—School Board: (Continued)

	Balance As Previously Reported <u>June 30, 2013</u>	<u>Adjustments</u>	Balance As Restated July ,1 2013
Capital assets, not being depreciated:			
Land	\$ 47,172	\$ -	\$ 47,172
Capital assets being depreciated:			
Buildings and improvements	\$ 7,922,195	\$ (543,800)	\$ 7,378,395
Equipment	2,703,497	-	2,703,497
Jointly owned assets	8,397,542	501,226	8,898,768
Total capital assets being depreciated	<u>\$ 19,023,234</u>	<u>\$ (42,574)</u>	<u>\$ 18,980,660</u>
Accumulated depreciation:			
Buildings and improvements	\$ 7,390,678	\$ (1,687,798)	\$ 5,702,880
Equipment	2,021,151	-	2,021,151
Jointly owned assets	1,856,824	1,314,095	3,170,919
Total accumulated depreciation	<u>\$ 11,268,653</u>	<u>\$ (373,703)</u>	<u>\$ 10,894,950</u>
Total capital assets being depreciated, net	<u>\$ 7,754,581</u>	<u>\$ 331,129</u>	<u>\$ 8,085,710</u>
School Board capital assets, net	<u>\$ 7,801,753</u>	<u>\$ 331,129</u>	<u>\$ 8,132,882</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 6—Capital Assets: (Continued)

The following is a summary of depreciation expense for the year ended June 30, 2014:

Governmental activities:

General government	\$	107,881
Judicial administration		1,122
Public safety		243,430
Public works		237,007
Health and welfare		9,601
Education		120,680
Parks, recreation and cultural		43,906
Community development		<u>53,236</u>
Total Governmental activities	\$	<u><u>816,863</u></u>

Business-type activities:

Electric	\$	370,904
Water		219,186
Sewer		232,699
Refuse collection / landfill		<u>186,213</u>
Total Enterprise activities	\$	<u><u>1,009,002</u></u>

Component Unit School Board \$ 179,540 *

* Note accumulated depreciation transferred from the Primary Government to the Component Unit School Board on Jointly owned assets totals \$240,239 for the year ending June 30, 2014 when added to depreciation expense above totals \$419,779 accumulated depreciation per the previous page.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 7—Interfund Transfers/Obligations:

Interfund transfers for the year ended June 30, 2014, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Activities:		
General Fund	\$ 4,066,013	\$ 524,719
Meals tax	-	325,221
Nonmajor governmental funds:		
Capital reserve	766,809	-
City Grants	524,719	
Proprietary Funds:		
Electric	-	1,660,564
Water	-	1,492,345
Sewer	-	1,354,692
	<u> </u>	<u> </u>
Total	\$ <u>5,357,541</u>	\$ <u>5,357,541</u>

Interfund receivables and payable balances relative to working capital loans at June 30, 2014 are presented below:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Component Unit - School Board:		
School Operating Fund	\$ 290,793	\$ -
School Grants	-	290,793
	<u> </u>	<u> </u>
Total	\$ <u>290,793</u>	\$ <u>290,793</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, 2014 (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, 2014:

	Beginning Balance July 1, 2013	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2014	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by City					
Compensated absences	\$ 491,715	\$ 107,843	\$ 49,464	\$ 550,094	\$ 51,248
General obligation bonds	3,161,200	1,752,000	2,049,500	2,863,700	354,300
General obligation note	340,000	-	-	340,000	340,000
Net OPEB obligation	175,000	231,000	220,000	186,000	-
Capital lease	460,000	-	89,091	370,909	90,523
Total incurred by City	<u>\$ 4,627,915</u>	<u>\$ 2,090,843</u>	<u>\$ 2,408,055</u>	<u>\$ 4,310,703</u>	<u>\$ 836,071</u>
Incurred by School Board:					
State Literary Fund Loans	\$ 4,000,000	-	\$ 625,000	\$ 3,375,000	\$ 625,000
General obligation bonds	10,795,417	-	150,114	10,645,303	174,096
Total incurred by School Board	<u>\$ 14,795,417</u>	<u>\$ -</u>	<u>\$ 775,114</u>	<u>\$ 14,020,303</u>	<u>\$ 799,096</u>
Total Governmental Activities Obligations	<u>\$ 19,423,332</u>	<u>\$ 2,090,843</u>	<u>\$ 3,183,169</u>	<u>\$ 18,331,006</u>	<u>\$ 1,635,167</u>
Business-type Activities Obligations:					
Compensated absences	\$ 174,964	\$ 42,848	\$ 31,703	\$ 186,109	\$ 18,611
General obligation bond	2,279,700	792,000	1,191,700	1,880,000	435,250
Landfill closure and post-closure costs	3,439,510	-	-	3,439,510	-
Total Business-type Activities Obligations	<u>\$ 5,894,174</u>	<u>\$ 834,848</u>	<u>\$ 1,223,403</u>	<u>\$ 5,505,619</u>	<u>\$ 453,861</u>
Total Primary Government	<u>\$ 25,317,506</u>	<u>\$ 2,925,691</u>	<u>\$ 4,406,572</u>	<u>\$ 23,836,625</u>	<u>\$ 2,089,028</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, 2014 (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
2015	\$ 354,300	\$ 58,607	\$ 340,000	\$ 10,200	\$ 90,523	\$ 5,574	\$ 435,250	\$ 42,215
2016	356,300	55,164	-	-	91,977	4,120	290,050	35,548
2017	366,300	47,400	-	-	93,454	2,642	143,695	30,024
2018	374,400	39,442	-	-	94,955	1,141	148,058	26,284
2019	378,600	31,346	-	-	-	-	151,177	22,432
2020	386,800	23,110	-	-	-	-	154,770	18,495
2021	85,100	17,793	-	-	-	-	139,000	14,669
2022	87,400	15,452	-	-	-	-	41,000	10,931
2023	89,800	13,049	-	-	-	-	43,000	9,776
2024	92,300	10,579	-	-	-	-	44,000	8,580
2025	94,800	8,041	-	-	-	-	45,000	7,356
2026	97,500	5,434	-	-	-	-	46,000	6,105
2027	100,100	2,753	-	-	-	-	48,000	4,813
2028	-	-	-	-	-	-	49,000	3,479
2029	-	-	-	-	-	-	50,000	2,118
2030	-	-	-	-	-	-	52,000	715
Total	\$ 2,863,700	\$ 328,170	\$ 340,000	\$ 10,200	\$ 370,909	\$ 13,477	\$ 1,880,000	\$ 243,538

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (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
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	\$ <u>3,375,000</u>	\$ <u>360,000</u>	\$ <u>10,645,303</u>	\$ <u>7,064,436</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Incurred by City:

General Obligation Bonds:

\$1,752,167 general obligation refunding bonds series 2014A bonds maturing in various annual installments of \$281,750 to \$304,398 through July 15, 2019, interest payable semi-annually at 2.37%	\$ 1,752,000
\$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%	<u>1,111,700</u>
Total general obligation bonds	\$ <u>2,863,700</u>

General Obligation Note:

\$340,000 note payable to Harvest Foundation issued (for Henry Hotel) September 1, 2009 payable by December 31, 2014, interest payable monthly at 3.00%	\$ <u>340,000</u>
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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. 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%	\$ <u>370,909</u>
Compensated absences	\$ 550,094
Net OPEB obligation	<u>186,000</u>
Total Incurred by City	\$ <u>4,310,703</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (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%	\$ 750,000
\$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%	<u>2,625,000</u>
Total State Literary Fund Loans	\$ <u>3,375,000</u>

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%	\$ 1,452,188
\$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	<u>9,193,115</u>
Total Virginia Public Authority Subsidy Bonds	\$ <u>10,645,303</u>
Total Incurred by the School Board	\$ <u>14,020,303</u>
Total Governmental Obligations	\$ <u><u>18,331,006</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (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%	\$	446,000
\$112,833 general obligation refunding bonds series 2014A bonds, (acquired bucket truck for Electric) maturing in various annual installments of \$18,150 to \$19,602 through July 15, 2019, interest payable semi-annually at 2.37%		113,000
\$679,000 capital-related general obligation refunding series 2014B bonds maturing in various annual installments of \$36,000 to \$52,000 through July 15, 2029, interest payable semi-annually at 2.37%		679,000
\$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%		<u>642,000</u>
Total general obligation bonds	\$	<u>1,880,000</u>
Compensated absences	\$	186,109
Landfill closure and postclosure costs		<u>3,439,510</u>
Total enterprise obligations	\$	<u><u>5,505,619</u></u>

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, 2014:

	<u>Beginning Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Net OPEB obligation	\$ <u>110,000</u>	\$ <u>64,000</u>	\$ <u>89,000</u>	\$ <u>85,000</u>	\$ <u>-</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (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, 2014 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 2014. Actual closure and postclosure care costs may be higher due to inflation, changes in technology, or changes in regulations.

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

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

Note 10—Deferred/Unavailable/Unearned Revenue:

Unearned and deferred/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 \$799,360 at June 30, 2014.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2014, but in advance by the taxpayers totaled \$48,641 at June 30, 2014.

Discretely Presented School Board – Unearned revenue represented unexpended NASA and Harvest Foundation grant funds totaling \$28,859 at June 30, 2014.

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, 2014 (Continued)

Note 12—Litigation:

At June 30, 2014, 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—Pension Plan:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 14—Pension Plan: (Continued)

A. Plan Description

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Note 14—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 14—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 14—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

- 4. Retirement Contributions** – Same as VRS Plan 1—Refer to Section 4.
- 5. Creditable Service** – Same as VRS Plan 1— Refer to Section 5.
- 6. Vesting** – Same as VRS Plan 1—Refer to Section 6.
- 7. Calculating the Benefit** – Same as VRS Plan 1—Refer to Section 7.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 14—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** – Same as VRS Plan 1—Refer to Section 14.
15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1—Refer to Section 15.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** – Same as VRS Plan 1—Refer to Section 17.

Note 14—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
 - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers’ Retirement System (SPORS)
 - Members of the Virginia Law Officers’ Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

Note 14—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

4. Retirement Contributions - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 14—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

6. Vesting (Continued)

- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

7. Calculating the Benefit

Defined Benefit Component – Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

- 8. Average Final Compensation** – Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

- 9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component – Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 14—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component – Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component – Not Applicable.

14. Eligibility – Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

15. Exceptions to COLA Effective Dates – Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component – Not Applicable.

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/2013-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, 2014 (Continued)

Note 14—Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% 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 its 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 Board's contribution rates for the fiscal year ended 2014 were 18.47% and 23.73% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,403,886, \$1,311,060, and \$735,293, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2014, City's annual pension cost of \$2,363,676 was equal to the City'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, 2014	\$ 2,363,676	100%	\$ -
June 30, 2013	2,296,745	100%	-
June 30, 2012	2,010,693	100%	-

(1) Employer portion only

For fiscal year 2014, School Board's annual pension cost of \$119,538 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>
School Board:			
Non-Professional:			
June 30, 2014	\$ 119,538	100%	\$ -
June 30, 2013	113,699	100%	-
June 30, 2012	87,135	100%	-

(1) Employer portion only

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 14—Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

The FY 2014 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. The City's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls 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, 2013, the most recent actuarial valuation date, the City's plan was 68.55% funded. The actuarial accrued liability for benefits was \$88,808,207, and the actuarial value of assets was \$60,881,496, resulting in an unfunded actuarial accrued liability (UAAL) of \$27,926,711. The covered payroll (annual payroll of active employees covered by the plan) was \$12,509,178 and ratio of the UAAL to the covered payroll was 223.25%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 59.09% funded. The actuarial accrued liability for benefits was \$4,232,082, and the actuarial value of assets was \$2,500,872, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,731,210. The covered payroll (annual payroll of active employees covered by the plan) was \$479,136 and ratio of the UAAL to the covered payroll was 361.32%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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, 2014 (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, 2014 (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	\$ 232,000
Interest on net OPEB obligation	7,000
Adjustment to annual required contribution	<u>(8,000)</u>
Annual OPEB cost (expense)	231,000
Contributions made	<u>(220,000)</u>
Increase (decrease) in net OPEB obligation	\$ 11,000
Net OPEB obligation - beginning of year	<u>175,000</u>
Net OPEB obligation - end of year	<u><u>\$ 186,000</u></u>

For 2014, the City’s expected cash payment of \$220,000 is less than the OPEB cost (expense) of \$231,000 and was \$11,000 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 2014 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, 2012	\$ 237,000	75.5%	\$ 151,000
June 30, 2013	229,000	89.5%	175,000
June 30, 2014	231,000	95.2%	186,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (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)	\$	3,622,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		3,622,000
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, 2014 (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		(5,000)
Annual OPEB cost (expense)		<u>64,000</u>
Contributions made		<u>(89,000)</u>
Increase (decrease) in net OPEB obligation	\$	(25,000)
Net OPEB obligation - beginning of year		<u>110,000</u>
Net OPEB obligation - end of year	\$	<u><u>85,000</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (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 2014 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, 2012	\$ 153,000	91.5%	\$ 128,000
June 30, 2013	63,000	128.6%	110,000
June 30, 2014	64,000	139.1%	85,000

D. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$ 911,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	911,000
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	6,365,000
UAAL as a percentage of covered payroll	14.31%

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

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, 2014 (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, 2014, 2013, and 2012 were \$133,646, \$124,809, and \$69,696, respectively and equaled the required contributions for each year.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 18—Commitments and Contingencies:

At June 30, 2014, 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:

<u>Project</u>	<u>Contract Amount</u>	<u>Expenditures to Date</u>	<u>Balance of Contract</u>
High School Improvements	\$ 7,927,611	\$ 7,903,343	\$ 24,268
Liberty Street	2,866,694	2,635,148	231,546

Note 19—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.

Note 20—Net Position Restatements:

Net position were restated as of July 1, 2013 as follows:

	<u>Governmental Funds</u>	<u>Component-Unit School Board</u>
Net position as previously reported	\$ 17,380,987	\$ 8,631,995
Adjustment for joint tenancy assets and accumulated depreciation	<u>(331,129)</u>	<u>331,129</u>
Totals as restated	\$ <u><u>17,049,858</u></u>	\$ <u><u>8,963,124</u></u>

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, 2014

	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 8,629,000	\$ 8,629,000	\$ 8,683,569	\$ 54,569
Other local taxes	5,130,000	5,130,000	5,333,677	203,677
Permits, privilege fees and regulatory licenses	103,955	103,955	83,931	(20,024)
Fines and forfeitures	153,500	153,947	126,049	(27,898)
Revenue from use of money and property	708,207	708,207	853,721	145,514
Charges for services	808,420	808,420	745,790	(62,630)
Miscellaneous	227,698	233,743	307,384	73,641
Recovered costs	1,267,470	1,378,622	1,041,507	(337,115)
Intergovernmental:				
Commonwealth	8,746,824	8,825,907	9,150,812	324,905
Federal	72,540	2,037,860	1,986,979	(50,881)
	<u>25,847,614</u>	<u>28,009,661</u>	<u>28,313,419</u>	<u>303,758</u>
Total revenues	\$	\$	\$	\$
Expenditures:				
Current:				
General government administration	\$ 4,414,102	\$ 4,495,729	\$ 4,012,919	\$ 482,810
Judicial administration	2,015,400	2,052,161	2,164,763	(112,602)
Public safety	9,983,923	10,334,335	9,263,414	1,070,921
Public works	4,326,684	6,530,432	6,098,946	431,486
Health and welfare	883,459	888,839	720,419	168,420
Education	6,378,251	6,378,251	6,044,863	333,388
Parks, recreation, and cultural	1,073,188	1,091,743	1,014,790	76,953
Community development	1,893,332	2,034,259	2,132,325	(98,066)
	<u>30,968,339</u>	<u>33,805,749</u>	<u>31,452,439</u>	<u>2,353,310</u>
Total expenditures	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	\$ (5,120,725)	\$ (5,796,088)	\$ (3,139,020)	\$ 2,657,068
Other financing sources (uses):				
Transfers in	\$ 4,066,013	\$ 4,066,013	\$ 4,066,013	\$ -
Transfers (out)	<u>-</u>	<u>-</u>	<u>(524,719)</u>	<u>(524,719)</u>
Total other financing sources (uses)	\$ 4,066,013	\$ 4,066,013	\$ 3,541,294	\$ (524,719)
Changes in fund balances	\$ (1,054,712)	\$ (1,730,075)	\$ 402,274	\$ 2,132,349
Fund balances at beginning of year	<u>1,054,712</u>	<u>1,730,075</u>	<u>7,229,187</u>	<u>5,499,112</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,631,461</u>	<u>\$ 7,631,461</u>

Schedule of Pension and OPEB Funding Progress
Virginia Retirement System and Other Postemployment Benefits
Last Three Fiscal Years

City - Virginia Retirement System

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio (2)/(3)</u>	<u>Covered Payroll</u>	<u>UAAL as % of Payroll (4)/(6)</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 60,881,496	\$ 88,808,207	\$ 27,926,711	68.55%	\$ 12,509,178	223.25%
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%

**Discretely Presented Component Unit - School Board
School Board Non-Professional - Virginia Retirement System**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio (2)/(3)</u>	<u>Covered Payroll</u>	<u>UAAL as % of Payroll (4)/(6)</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 2,500,872	\$ 4,232,082	\$ 1,731,210	59.09%	\$ 479,136	361.32%
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%

City - Other Postemployment Benefits

<u>Actuarial Valuation Date*</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio (2)/(3)</u>	<u>Covered Payroll</u>	<u>UAAL as % of Payroll (4)/(6)</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2013	\$ -	\$ 3,603,000	\$ 3,603,000	0.00%	\$ 8,996,000	40.05%
7/1/2012	-	3,603,000	3,603,000	0.00%	8,996,000	40.05%
7/1/2011	-	3,515,000	3,515,000	0.00%	11,208,000	31.36%

Discretely Presented Component Unit - School Board - Other Postemployment Benefits

<u>Actuarial Valuation Date*</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio (2)/(3)</u>	<u>Covered Payroll</u>	<u>UAAL as % of Payroll (4)/(6)</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2013	\$ -	\$ 929,000	\$ 929,000	0.00%	\$ 6,365,000	14.60%
7/1/2012	-	929,000	929,000	0.00%	6,365,000	14.60%
7/1/2011	-	2,151,000	2,151,000	0.00%	9,354,000	23.00%

Meals Tax Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Other local taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,583,889	\$ 83,889
Revenue from use of money and property	5,000	5,000	1,754	(3,246)
Intergovernmental:				
Federal	<u>395,250</u>	<u>395,250</u>	<u>366,792</u>	<u>(28,458)</u>
Total revenues	<u>\$ 1,900,250</u>	<u>\$ 1,900,250</u>	<u>\$ 1,952,435</u>	<u>\$ 52,185</u>
Expenditures:				
Current:				
General government administration	\$ 49,906	\$ 49,906	\$ 49,906	\$ -
Education	-	1,736,047	1,296,918	439,129
Debt service:				
Principal retirement	904,364	904,364	904,364	-
Interest and other fiscal charges	<u>620,759</u>	<u>620,759</u>	<u>620,759</u>	<u>-</u>
Total expenditures	<u>\$ 1,575,029</u>	<u>\$ 3,311,076</u>	<u>\$ 2,871,947</u>	<u>\$ 439,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 325,221</u>	<u>\$ (1,410,826)</u>	<u>\$ (919,512)</u>	<u>\$ 491,314</u>
Other financing sources (uses):				
Transfers (out)	<u>\$ (325,221)</u>	<u>\$ (325,221)</u>	<u>\$ (325,221)</u>	<u>\$ -</u>
Changes in fund balances	\$ -	\$ (1,736,047)	\$ (1,244,733)	\$ 491,314
Fund balances at beginning of year	<u>-</u>	<u>1,736,047</u>	<u>2,236,788</u>	<u>500,741</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 992,055</u></u>	<u><u>\$ 992,055</u></u>

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Other Supplementary Information

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Combining and Individual Fund Statements and Schedules

Nonmajor Governmental Funds
 Combining Balance Sheet
 At June 30, 2014

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total</u>
	<u>Housing Choice Fund</u>	<u>City Grants Fund</u>	<u>Capital Reserve Fund</u>	
ASSETS				
Cash and cash equivalents	\$ 340,079	\$ 18,307	\$ 461,321	\$ 819,707
Cash and cash equivalents - restricted	-	-	35,112	35,112
Due from other governments	<u>57,889</u>	<u>80,207</u>	<u>-</u>	<u>138,096</u>
Total assets	<u>\$ 397,968</u>	<u>\$ 98,514</u>	<u>\$ 496,433</u>	<u>\$ 992,915</u>
LIABILITIES				
Accounts payable and other current liabilities	<u>\$ 2,560</u>	<u>\$ 122,281</u>	<u>\$ 36,596</u>	<u>\$ 161,437</u>
Total liabilities	<u>\$ 2,560</u>	<u>\$ 122,281</u>	<u>\$ 36,596</u>	<u>\$ 161,437</u>
FUND BALANCES				
Restricted:				
Capital projects	\$ -	\$ -	\$ 35,112	\$ 35,112
Committed:				
Housing choice program	395,408	-	-	395,408
Assigned:				
Capital reserve fund	-	-	424,725	424,725
Unassigned	<u>-</u>	<u>(23,767)</u>	<u>-</u>	<u>(23,767)</u>
Total fund balances	<u>\$ 395,408</u>	<u>\$ (23,767)</u>	<u>\$ 459,837</u>	<u>\$ 831,478</u>
Total liabilities and fund balances	<u>\$ 397,968</u>	<u>\$ 98,514</u>	<u>\$ 496,433</u>	<u>\$ 992,915</u>

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total</u>
	<u>City Grants Fund</u>	<u>Housing Choice Fund</u>	<u>Capital Reserve Fund</u>	
Revenues:				
Other local taxes				
Revenue from use of money and property	\$ 55,315	\$ 226	\$ 14,689	\$ 70,230
Miscellaneous	73,356	2,289	20,000	95,645
Intergovernmental:				
Federal	<u>1,091,767</u>	<u>2,108,313</u>	<u>-</u>	<u>3,200,080</u>
Total revenues	<u>\$ 1,220,438</u>	<u>\$ 2,110,828</u>	<u>\$ 34,689</u>	<u>\$ 3,365,955</u>
Expenditures:				
General government administration	\$ -	\$ -	\$ 221,733	\$ 221,733
Public safety	-	-	582,275	582,275
Public works	-	-	12,843	12,843
Planning and community development	1,176,045	1,727,229	-	2,903,274
Debt service:				
Principal retirement	-	-	2,009,341	2,009,341
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>101,566</u>	<u>101,566</u>
Total expenditures	<u>\$ 1,176,045</u>	<u>\$ 1,727,229</u>	<u>\$ 2,927,758</u>	<u>\$ 5,831,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 44,393</u>	<u>\$ 383,599</u>	<u>\$ (2,893,069)</u>	<u>\$ (2,465,077)</u>
Other financing sources:				
Issuance of refunding bonds	\$ -	\$ -	\$ 1,752,000	\$ 1,752,000
Transfers in	<u>524,719</u>	<u>-</u>	<u>766,809</u>	<u>1,291,528</u>
Total other financing sources	<u>\$ 524,719</u>	<u>\$ -</u>	<u>\$ 2,518,809</u>	<u>\$ 3,043,528</u>
Changes in fund balances	<u>\$ 569,112</u>	<u>\$ 383,599</u>	<u>\$ (374,260)</u>	<u>\$ 578,451</u>
Fund balances at beginning of year	<u>(592,879)</u>	<u>11,809</u>	<u>834,097</u>	<u>253,027</u>
Fund balances at end of year	<u>\$ (23,767)</u>	<u>\$ 395,408</u>	<u>\$ 459,837</u>	<u>\$ 831,478</u>

CITY OF MARTINSVILLE, VIRGINIA

Nonmajor Governmental Funds
 Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
 Year Ended June 30, 2014

	Special Revenue Funds			
	Housing Choice Fund			
	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	\$ 300	\$ 300	\$ 226	\$ (74)
Miscellaneous	5,500	5,500	2,289	(3,211)
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	1,971,100	1,971,100	2,108,313	137,213
Total revenues	\$ 1,976,900	\$ 1,976,900	\$ 2,110,828	\$ 133,928
Expenditures:				
General government administration	\$ -	\$ -	\$ -	-
Public safety	-	-	-	-
Parks, recreation, and cultural	-	-	-	-
Community development	2,013,343	2,025,343	1,727,229	298,114
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	\$ 2,013,343	\$ 2,025,343	\$ 1,727,229	\$ 298,114
Excess (deficiency) of revenues over (under) expenditures	\$ (36,443)	\$ (48,443)	\$ 383,599	\$ 432,042
Other financing sources (uses):				
Issuance of refunding bonds	\$ -	\$ -	\$ -	-
Transfers in	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ (36,443)	\$ (48,443)	\$ 383,599	\$ 432,042
Fund balances at beginning of year	36,443	48,443	11,809	(36,634)
Fund balances at end of year	\$ -	\$ -	\$ 395,408	\$ 395,408

City Grants Fund				Capital Projects Fund			
				Capital Reserve Fund			
Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
\$ 24,472	\$ 24,472	\$ 55,315	\$ 30,843	\$ -	\$ 14,380	\$ 14,689	\$ 309
-	22,978	73,356	50,378	-	-	20,000	20,000
-	-	-	-	-	-	-	-
132,000	751,001	1,091,767	340,766	-	-	-	-
<u>\$ 156,472</u>	<u>\$ 798,451</u>	<u>\$ 1,220,438</u>	<u>\$ 421,987</u>	<u>\$ -</u>	<u>\$ 14,380</u>	<u>\$ 34,689</u>	<u>\$ 20,309</u>
\$ -	\$ -	\$ -	\$ -	\$ 283,050	\$ 409,745	\$ 221,733	\$ 188,012
-	-	-	-	108,000	597,097	582,275	14,822
-	-	-	-	8,000	12,844	12,843	1
216,362	888,728	1,176,045	(287,317)	-	-	-	-
-	-	-	-	290,642	290,642	2,009,341	(1,718,699)
-	-	-	-	70,167	70,167	101,566	(31,399)
<u>\$ 216,362</u>	<u>\$ 888,728</u>	<u>\$ 1,176,045</u>	<u>\$ (287,317)</u>	<u>\$ 759,859</u>	<u>\$ 1,380,495</u>	<u>\$ 2,927,758</u>	<u>\$ (1,547,263)</u>
<u>\$ (59,890)</u>	<u>\$ (90,277)</u>	<u>\$ 44,393</u>	<u>\$ 134,670</u>	<u>\$ (759,859)</u>	<u>\$ (1,366,115)</u>	<u>\$ (2,893,069)</u>	<u>\$ (1,526,954)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,752,000	\$ 1,752,000
-	-	524,719	524,719	766,809	766,809	766,809	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 524,719</u>	<u>\$ 524,719</u>	<u>\$ 766,809</u>	<u>\$ 766,809</u>	<u>\$ 2,518,809</u>	<u>\$ 1,752,000</u>
\$ (59,890)	\$ (90,277)	\$ 569,112	\$ 659,389	\$ 6,950	\$ (599,306)	\$ (374,260)	\$ 225,046
59,890	90,277	(592,879)	(683,156)	(6,950)	599,306	834,097	234,791
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,767)</u>	<u>\$ (23,767)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 459,837</u>	<u>\$ 459,837</u>

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Combining Statement of Fiduciary Net Position -
 Agency Funds
 At June 30, 2014

	<u>Insurance Trust Fund</u>	<u>Inmate Welfare Fund</u>	<u>Police Academy Fund</u>	<u>Southern Virginia Recreation Facility Authority Fund</u>	<u>Dan River ASAP Fund</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 448,745	\$ 161,419	\$ 504,519	\$ 70,783	\$ 60,181	1,245,647
Total assets	<u>\$ 448,745</u>	<u>\$ 161,419</u>	<u>\$ 504,519</u>	<u>\$ 70,783</u>	<u>\$ 60,181</u>	<u>1,245,647</u>
LIABILITIES						
Accounts payable	\$ -	\$ 128	\$ 10,929	\$ 26,182	\$ 21,639	58,878
Amounts held for others	<u>448,745</u>	<u>161,291</u>	<u>493,590</u>	<u>44,601</u>	<u>38,542</u>	<u>1,186,769</u>
Total liabilities	<u>\$ 448,745</u>	<u>\$ 161,419</u>	<u>\$ 504,519</u>	<u>\$ 70,783</u>	<u>\$ 60,181</u>	<u>1,245,647</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Insurance Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 340,524	\$ 4,109,234	\$ 4,001,013	\$ 448,745
Total assets	<u>\$ 340,524</u>	<u>\$ 4,109,234</u>	<u>\$ 4,001,013</u>	<u>\$ 448,745</u>
Liabilities:				
Amounts held for others	\$ 340,524	\$ 4,109,234	\$ 4,001,013	\$ 448,745
Total liabilities	<u>\$ 340,524</u>	<u>\$ 4,109,234</u>	<u>\$ 4,001,013</u>	<u>\$ 448,745</u>
Inmate Welfare Funds:				
Assets:				
Cash and cash equivalents	\$ 135,045	\$ 202,091	\$ 175,717	\$ 161,419
Total assets	<u>\$ 135,045</u>	<u>\$ 202,091</u>	<u>\$ 175,717</u>	<u>\$ 161,419</u>
Liabilities:				
Accounts payable	\$ 126	\$ 128	\$ 126	\$ 128
Amounts held for others	134,919	201,963	175,591	161,291
Total liabilities	<u>\$ 135,045</u>	<u>\$ 202,091</u>	<u>\$ 175,717</u>	<u>\$ 161,419</u>
West Piedmont Business Development Center Fund:				
Assets:				
Cash and cash equivalents	\$ 83,726	\$ 105,712	\$ 189,438	\$ -
Total assets	<u>\$ 83,726</u>	<u>\$ 105,712</u>	<u>\$ 189,438</u>	<u>\$ -</u>
Liabilities:				
Accounts payable	\$ 10,754	\$ -	\$ 10,754	\$ -
Amounts held for others	72,972	105,712	178,684	-
Total liabilities	<u>\$ 83,726</u>	<u>\$ 105,712</u>	<u>\$ 189,438</u>	<u>\$ -</u>
Police Academy Fund:				
Assets:				
Cash and cash equivalents	\$ 516,520	\$ 278,839	\$ 290,840	\$ 504,519
Total assets	<u>\$ 516,520</u>	<u>\$ 278,839</u>	<u>\$ 290,840</u>	<u>\$ 504,519</u>
Liabilities:				
Accounts payable	\$ 9,546	\$ 10,929	\$ 9,546	\$ 10,929
Amounts held for others	506,974	267,910	281,294	493,590
Total liabilities	<u>\$ 516,520</u>	<u>\$ 278,839</u>	<u>\$ 290,840</u>	<u>\$ 504,519</u>
Southern Virginia Recreation Facilities Authority:				
Assets:				
Cash and cash equivalents	\$ 71,806	\$ 581,769	\$ 582,792	\$ 70,783
Total assets	<u>\$ 71,806</u>	<u>\$ 581,769</u>	<u>\$ 582,792</u>	<u>\$ 70,783</u>
Liabilities:				
Accounts payable	\$ 14,086	\$ 26,182	\$ 14,086	\$ 26,182
Amounts held for others	57,720	555,587	568,706	44,601
Total liabilities	<u>\$ 71,806</u>	<u>\$ 581,769</u>	<u>\$ 582,792</u>	<u>\$ 70,783</u>
Dan River ASAP				
Assets:				
Cash and cash equivalents	\$ 59,066	\$ 293,186	\$ 292,071	\$ 60,181
Total assets	<u>\$ 59,066</u>	<u>\$ 293,186</u>	<u>\$ 292,071</u>	<u>\$ 60,181</u>
Liabilities:				
Accounts payable	\$ 85	\$ 21,639	\$ 85	\$ 21,639
Amounts held for others	58,981	271,547	291,986	38,542
Total liabilities	<u>\$ 59,066</u>	<u>\$ 293,186</u>	<u>\$ 292,071</u>	<u>\$ 60,181</u>
Total -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 1,206,687	\$ 5,570,831	\$ 5,531,871	\$ 1,245,647
Total assets	<u>\$ 1,206,687</u>	<u>\$ 5,570,831</u>	<u>\$ 5,531,871</u>	<u>\$ 1,245,647</u>
Liabilities:				
Accounts payable	\$ 34,597	\$ 58,878	\$ 34,597	\$ 58,878
Amounts held for others	1,172,090	5,511,953	5,497,274	1,186,769
Total liabilities	<u>\$ 1,206,687</u>	<u>\$ 5,570,831</u>	<u>\$ 5,531,871</u>	<u>\$ 1,245,647</u>

Combining Balance Sheet
Discretely Presented Component Unit -- School Board
At June 30, 2014

	School Operating Fund	School Cafeteria Fund	School Grants Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 903,599	\$ 836,708	\$ -	\$ 1,740,307
Accounts receivable	100,023	6,120	-	106,143
Due from other governments	392,752	-	453,635	846,387
Due from other funds	290,793	-	-	290,793
	<u>1,687,167</u>	<u>842,828</u>	<u>453,635</u>	<u>2,983,630</u>
Total assets	<u>\$ 1,687,167</u>	<u>\$ 842,828</u>	<u>\$ 453,635</u>	<u>\$ 2,983,630</u>
LIABILITIES				
Accounts payable	\$ 848,224	\$ 18,895	\$ 76,169	\$ 943,288
Unearned revenue	28,859	-	-	28,859
Accrued liabilities	810,084	24,342	95,127	929,553
Due to other funds	-	-	290,793	290,793
	<u>1,687,167</u>	<u>43,237</u>	<u>462,089</u>	<u>2,192,493</u>
Total liabilities	<u>\$ 1,687,167</u>	<u>\$ 43,237</u>	<u>\$ 462,089</u>	<u>\$ 2,192,493</u>
FUND BALANCES				
Committed:				
School food program	\$ -	\$ 799,591	\$ -	\$ 799,591
Education	-	-	(8,454)	(8,454)
	<u>-</u>	<u>799,591</u>	<u>(8,454)</u>	<u>791,137</u>
Total fund balances	<u>\$ -</u>	<u>\$ 799,591</u>	<u>\$ (8,454)</u>	<u>\$ 791,137</u>
Total liabilities and fund balances	<u>\$ 1,687,167</u>	<u>\$ 842,828</u>	<u>\$ 453,635</u>	<u>\$ 2,983,630</u>

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

Total Fund balances, above	\$ 791,137
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	8,785,502

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	<u>(85,000)</u>
Net position of General Government Activities	<u>\$ 9,491,639</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 Year Ended June 30, 2014

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>School Grants Fund</u>	<u>Total</u>
Revenues:				
Revenue from use of money and property	\$ 49,655	\$ 359	\$ -	\$ 50,014
Charges for services	7,300	428,831	-	436,131
Miscellaneous	142,942	-	2,530	145,472
Recovered costs	573,647	-	-	573,647
Intergovernmental:				
Local government	6,027,143	-	-	6,027,143
Commonwealth	14,517,486	32,177	-	14,549,663
Federal	160,710	1,082,145	1,933,650	3,176,505
	<u>21,478,883</u>	<u>1,543,512</u>	<u>1,936,180</u>	<u>24,958,575</u>
Total revenues	\$ 21,478,883	\$ 1,543,512	\$ 1,936,180	\$ 24,958,575
Expenditures:				
Current:				
Education	\$ 21,478,883	\$ 1,677,449	\$ 1,951,348	\$ 25,107,680
	<u>21,478,883</u>	<u>1,677,449</u>	<u>1,951,348</u>	<u>25,107,680</u>
Total expenditures	\$ 21,478,883	\$ 1,677,449	\$ 1,951,348	\$ 25,107,680
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (133,937)	\$ (15,168)	\$ (149,105)
Changes in fund balances	\$ -	\$ (133,937)	\$ (15,168)	\$ (149,105)
Fund balances at beginning of year	<u>-</u>	<u>933,528</u>	<u>6,714</u>	<u>940,242</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ 799,591</u>	<u>\$ (8,454)</u>	<u>\$ 791,137</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, 2014

Net changes in fund balances - total governmental funds \$ (149,105)

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 capital outlays exceeded depreciation in the current period computed as follows:

Capital outlays	361,596
Depreciation expense	(179,540)

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. 470,564

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>25,000</u>
Changes in net position of governmental activities	<u>\$ 528,515</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, 2014

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
Revenue from use of money and property	\$ 43,000	\$ 43,000	\$ 49,655	\$ 6,655
Charges for services	5,000	5,000	7,300	2,300
Miscellaneous	-	134,000	142,942	8,942
Recovered costs	489,706	489,706	573,647	83,941
Intergovernmental:				
Local government	6,360,531	6,360,531	6,027,143	(333,388)
Commonwealth	14,322,082	14,453,957	14,517,486	63,529
Federal	89,839	219,169	160,710	(58,459)
Total revenues	\$ 21,310,158	\$ 21,705,363	\$ 21,478,883	\$ (226,480)
Expenditures:				
Current:				
Education	\$ 21,310,158	\$ 21,855,891	\$ 21,478,883	\$ 377,008
Total expenditures	\$ 21,310,158	\$ 21,855,891	\$ 21,478,883	\$ 377,008
Changes in fund balances	\$ -	\$ (150,528)	\$ -	\$ 150,528
Fund balances at beginning of year	-	150,528	-	(150,528)
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	\$ 359	\$ (1,941)	\$ -	\$ -	\$ -	\$ -
548,400	548,400	428,831	(119,569)	-	-	-	-
-	-	-	-	-	-	2,530	2,530
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
28,105	28,105	32,177	4,072	-	-	-	-
791,345	791,345	1,082,145	290,800	-	2,434,541	1,933,650	(500,891)
<u>\$ 1,370,150</u>	<u>\$ 1,370,150</u>	<u>\$ 1,543,512</u>	<u>\$ 173,362</u>	<u>\$ -</u>	<u>\$ 2,434,541</u>	<u>\$ 1,936,180</u>	<u>\$ (498,361)</u>
<u>\$ 1,370,150</u>	<u>\$ 1,701,710</u>	<u>\$ 1,677,449</u>	<u>\$ 24,261</u>	<u>\$ -</u>	<u>\$ 2,434,541</u>	<u>\$ 1,951,348</u>	<u>\$ 483,193</u>
<u>\$ 1,370,150</u>	<u>\$ 1,701,710</u>	<u>\$ 1,677,449</u>	<u>\$ 24,261</u>	<u>\$ -</u>	<u>\$ 2,434,541</u>	<u>\$ 1,951,348</u>	<u>\$ 483,193</u>
\$ -	\$ (331,560)	\$ (133,937)	\$ 197,623	\$ -	\$ -	\$ (15,168)	\$ (15,168)
-	331,560	933,529	601,969	-	-	6,714	6,714
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 799,592</u>	<u>\$ 799,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,454)</u>	<u>\$ (8,454)</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, 2014

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	\$ 6,610,000	\$ 6,610,000	\$ 6,610,882	\$ 882
Real and personal public service corporation taxes	239,000	239,000	250,611	11,611
Personal property taxes	672,000	672,000	670,253	(1,747)
Business equipment	805,000	805,000	786,454	(18,546)
Machinery and tools taxes	130,000	130,000	184,034	54,034
Penalties	102,000	102,000	103,432	1,432
Interest and costs	71,000	71,000	77,903	6,903
	<u>\$ 8,629,000</u>	<u>\$ 8,629,000</u>	<u>\$ 8,683,569</u>	<u>\$ 54,569</u>
Total general property taxes				
Other local taxes:				
Local sales and use taxes	\$ 1,900,000	\$ 1,900,000	\$ 2,017,806	\$ 117,806
Consumers' utility taxes	710,600	710,600	669,664	(40,936)
Business license tax	1,727,000	1,727,000	1,807,604	80,604
Franchise license taxes	15,000	15,000	40,000	25,000
Motor vehicle licenses	322,000	322,000	336,564	14,564
Bank franchise tax	230,000	230,000	256,596	26,596
Taxes on recordation and wills	52,000	52,000	40,752	(11,248)
Grantor tax	11,000	11,000	10,263	(737)
Cigarette tax	145,000	145,000	138,624	(6,376)
Rental tax	400	400	444	44
Transient room tax	17,000	17,000	15,360	(1,640)
	<u>\$ 5,130,000</u>	<u>\$ 5,130,000</u>	<u>\$ 5,333,677</u>	<u>\$ 203,677</u>
Total other local taxes				
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 4,667	\$ (333)
Other permits and licenses	98,955	98,955	79,264	(19,691)
	<u>\$ 103,955</u>	<u>\$ 103,955</u>	<u>\$ 83,931</u>	<u>\$ (20,024)</u>
Total permits, privilege fees and regulatory licenses				
Fines and Forfeitures:				
Court fines and forfeitures	\$ 150,000	\$ 150,000	\$ 123,317	\$ (26,683)
Other fines and forfeitures	3,500	3,947	2,732	(1,215)
	<u>\$ 153,500</u>	<u>\$ 153,947</u>	<u>\$ 126,049</u>	<u>\$ (27,898)</u>
Total fines and forfeitures				

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2014 (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	\$ 22,015	\$ 22,015	\$ 17,817	\$ (4,198)
Revenue from use of property	686,192	686,192	835,904	149,712
Total revenue from use of money and property	<u>\$ 708,207</u>	<u>\$ 708,207</u>	<u>\$ 853,721</u>	<u>\$ 145,514</u>
Charges for services:				
Sheriff fees	\$ 3,624	\$ 3,624	\$ 884	\$ (2,740)
Courthouse maintenance fees	11,000	11,000	10,901	(99)
Court appointed attorney fees	8,000	8,000	7,972	(28)
Court house security fees	24,000	24,000	23,260	(740)
Ambulance Fees	475,000	475,000	417,559	(57,441)
Document reproduction fee	3,200	3,200	2,560	(640)
Remote access fee	3,000	3,000	6,079	3,079
Commonwealth attorney fees	3,000	3,000	2,524	(476)
Other public safety fees	7,600	7,600	6,690	(910)
Recreation fees	15,500	15,500	10,355	(5,145)
Prison farm labor / street maintenance	24,000	24,000	24,000	-
Minet services	206,996	206,996	214,322	7,326
Other charges for services	23,500	23,500	18,684	(4,816)
Total charges for services	<u>\$ 808,420</u>	<u>\$ 808,420</u>	<u>\$ 745,790</u>	<u>\$ (62,630)</u>
Miscellaneous revenue:				
Payment in lieu of tax	\$ 187,298	\$ 187,298	\$ 187,298	\$ -
Other miscellaneous revenue	40,400	46,445	120,086	73,641
Total miscellaneous revenue	<u>\$ 227,698</u>	<u>\$ 233,743</u>	<u>\$ 307,384</u>	<u>\$ 73,641</u>
Recovered costs:				
WW Moore	\$ 30,000	\$ 30,000	\$ 49,318	\$ 19,318
SSI / LIDS	3,000	3,000	400	(2,600)
Circuit court	2,000	2,000	622	(1,378)
Meals tax administration	49,906	49,906	49,906	-
Street maintenance overhead	250,000	250,000	-	(250,000)
Demolition	4,000	4,000	8,027	4,027
Advance / recovered cost	150,000	203,190	131,690	(71,500)
Health department	-	-	3,804	3,804
Juror and witness	10,000	10,000	10,892	892
Sheriff	-	-	2,439	2,439
Medical co-pay reimbursement	7,000	7,000	3,351	(3,649)
Treasurer	12,000	12,000	-	(12,000)
Project lifesaver	1,500	1,500	920	(580)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2014 (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	\$ -	\$ -	\$ 4,447	\$ 4,447
Minet recovered costs	5,000	5,000	26,261	21,261
Collection expense	27,741	27,741	27,741	-
Billing expense	480,561	480,561	427,842	(52,719)
Safety expense	96,464	96,464	96,464	-
Communication	24,568	24,568	24,568	-
Central garage	58,905	103,373	121,418	18,045
Engineering	10,000	10,000	-	(10,000)
Senior citizens	6,500	19,994	21,143	1,149
Social services	23,525	23,525	23,526	1
Program income	1,000	1,000	1,105	105
Fire training	7,200	7,200	-	(7,200)
Senior citizens - transportation	3,000	3,000	2,023	(977)
Fiscal agent fees - regional library	3,600	3,600	3,600	-
Total recovered costs	<u>\$ 1,267,470</u>	<u>\$ 1,378,622</u>	<u>\$ 1,041,507</u>	<u>\$ (337,115)</u>
Total revenue from local sources	<u>\$ 17,028,250</u>	<u>\$ 17,145,894</u>	<u>\$ 17,175,628</u>	<u>\$ 29,734</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 8,500	\$ 8,500	\$ 9,662	\$ 1,162
Recordation tax	17,000	17,000	15,251	(1,749)
PPTRA	626,428	626,428	626,428	-
Communications tax	945,000	945,000	912,783	(32,217)
Auto rental tax	54,000	54,000	70,312	16,312
Total noncategorical aid	<u>\$ 1,650,928</u>	<u>\$ 1,650,928</u>	<u>\$ 1,634,436</u>	<u>\$ (16,492)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 469,250	\$ 469,250	\$ 454,119	\$ (15,131)
Sheriff	1,813,309	1,813,309	1,800,173	(13,136)
Commissioner of the Revenue	100,046	100,046	100,209	163
Treasurer	76,976	76,976	76,654	(322)
Registrar/electoral board	38,000	38,000	36,689	(1,311)
Clerk of the circuit court	268,467	268,467	284,755	16,288
Total shared expenses	<u>\$ 2,766,048</u>	<u>\$ 2,766,048</u>	<u>\$ 2,752,599</u>	<u>\$ (13,449)</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2014 (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	\$ 12,545	\$ 1,545
Confiscated assets	-	5,437	5,437	-
Victim witness	72,892	72,892	35,536	(37,356)
House Bill # 599 - police	802,446	802,446	841,560	39,114
EMS two for life	10,000	11,604	11,604	-
Fire grant	30,000	41,509	41,509	-
Street maintenance	2,933,350	2,933,350	2,960,440	27,090
Jail per diem	300,000	300,000	301,617	1,617
Rescue squad assistance fund	-	-	7,300	7,300
Comprehensive services	170,000	170,000	106,284	(63,716)
Street construction	-	-	343,014	343,014
Other categorical aid	160	60,693	96,931	36,238
Total other categorical aid	\$ 4,329,848	\$ 4,408,931	\$ 4,763,777	\$ 354,846
Total categorical aid	\$ 7,095,896	\$ 7,174,979	\$ 7,516,376	\$ 341,397
Total revenue from the Commonwealth	\$ 8,746,824	\$ 8,825,907	\$ 9,150,812	\$ 324,905
Revenue from the federal government:				
Categorical aid:				
Victim witness	\$ -	\$ -	\$ 35,535	\$ 35,535
Confiscated assets	-	64,401	80,404	16,003
DMV grant - police	18,000	18,000	19,965	1,965
Senior citizens	20,000	20,000	21,242	1,242
SCAAP funds	-	-	324	324
COPS technology grant	-	-	31,850	31,850
Viper overtime grant	9,000	9,000	7,568	(1,432)
Safe routes to schools grant	-	-	190,961	190,961
National guard armory	23,040	23,040	-	(23,040)
Street construction	-	1,900,919	1,557,904	(343,015)
FEMA	-	-	26,182	26,182
Other categorical aid	2,500	2,500	15,044	12,544
Total categorical aid	\$ 72,540	\$ 2,037,860	\$ 1,986,979	\$ (50,881)
Total revenue from the Federal Government	\$ 72,540	\$ 2,037,860	\$ 1,986,979	\$ (50,881)
Total General Fund	\$ 25,847,614	\$ 28,009,661	\$ 28,313,419	\$ 303,758
Special Revenue Funds:				
City Grants Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,075	\$ 1,075	\$ 940	\$ (135)
Revenue from use of property	23,397	23,397	54,375	30,978
Total revenue from use of money and property	\$ 24,472	\$ 24,472	\$ 55,315	\$ 30,843

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2014 (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)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Other miscellaneous revenue	\$ -	\$ 22,978	\$ 73,356	\$ 50,378
Total revenue from local sources	<u>\$ 24,472</u>	<u>\$ 47,450</u>	<u>\$ 128,671</u>	<u>\$ 81,221</u>
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Neighborhood stabilization program	\$ 57,000	\$ 57,000	\$ 21,394	\$ (35,606)
Uptown planning grant	75,000	75,000	345,373	270,373
Northside neighborhood planning grant	-	-	30,000	30,000
NCI community improvement grant	<u>-</u>	<u>619,001</u>	<u>695,000</u>	<u>75,999</u>
Total revenue from the Federal Government	<u>\$ 132,000</u>	<u>\$ 751,001</u>	<u>\$ 1,091,767</u>	<u>\$ 340,766</u>
Total City Grants Fund	<u><u>\$ 156,472</u></u>	<u><u>\$ 798,451</u></u>	<u><u>\$ 1,220,438</u></u>	<u><u>\$ 421,987</u></u>
Housing Choice Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 300	\$ 300	\$ 226	\$ (74)
Total revenue from use of money and property	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 226</u>	<u>\$ (74)</u>
Miscellaneous revenue:				
Fraud recoveries	\$ 5,000	\$ 5,000	\$ 2,089	\$ (2,911)
Other recovered costs	500	500	200	(300)
Total miscellaneous revenue	<u>\$ 5,500</u>	<u>\$ 5,500</u>	<u>\$ 2,289</u>	<u>\$ (3,211)</u>
Total revenue from local sources	<u>\$ 5,800</u>	<u>\$ 5,800</u>	<u>\$ 2,515</u>	<u>\$ (3,285)</u>
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Housing assistance	\$ 1,760,000	\$ 1,760,000	\$ 1,812,526	\$ 52,526
Moderate rehab. assistance	30,000	30,000	112,875	82,875
Other federal assistance	<u>181,100</u>	<u>181,100</u>	<u>182,912</u>	<u>1,812</u>
Total revenue from the Federal Government	<u>\$ 1,971,100</u>	<u>\$ 1,971,100</u>	<u>\$ 2,108,313</u>	<u>\$ 137,213</u>
Total Housing Choice Fund	<u><u>\$ 1,976,900</u></u>	<u><u>\$ 1,976,900</u></u>	<u><u>\$ 2,110,828</u></u>	<u><u>\$ 133,928</u></u>
Total Special Revenue Funds	<u><u>\$ 2,133,372</u></u>	<u><u>\$ 2,775,351</u></u>	<u><u>\$ 3,331,266</u></u>	<u><u>\$ 555,915</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2014 (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	\$ -	\$ 14,380	\$ 14,689	\$ 309
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 20,000	\$ 20,000
Total revenue from local sources	\$ -	\$ 14,380	\$ 34,689	\$ 20,309
Total Capital Reserve Fund	\$ -	\$ 14,380	\$ 34,689	\$ 20,309
Meals Tax Fund:				
Revenue from local sources:				
Other local taxes:				
Meals taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,583,889	\$ 83,889
Revenue from use of money and property:				
Revenue from use of money	\$ 5,000	\$ 5,000	\$ 1,754	\$ (3,246)
Total revenue from local sources	\$ 1,505,000	\$ 1,505,000	\$ 1,585,643	\$ 80,643
Intergovernmental:				
Revenue from the Federal Government				
Categorical aid:				
QSCB tax credit	\$ 395,250	\$ 395,250	\$ 366,792	\$ (28,458)
Total revenue from the Federal Government	\$ 395,250	\$ 395,250	\$ 366,792	\$ (28,458)
Total Meals Tax Fund	\$ 1,900,250	\$ 1,900,250	\$ 1,952,435	\$ 52,185
Total Capital Projects Funds	\$ 1,900,250	\$ 1,914,630	\$ 1,987,124	\$ 72,494
Total Revenues -- Primary Government	\$ 29,881,236	\$ 32,699,642	\$ 33,631,809	\$ 932,167
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	\$ 43,000	\$ 43,000	\$ 49,655	\$ 6,655
Charges for services:				
Tuition and other charges for services	\$ 5,000	\$ 5,000	\$ 7,300	\$ 2,300
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ 134,000	\$ 142,942	\$ 8,942
Recovered costs:				
Recovered costs	\$ 489,706	\$ 489,706	\$ 573,647	\$ 83,941
Total revenue from local sources	\$ 537,706	\$ 671,706	\$ 773,544	\$ 101,838

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2014 (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	\$ 6,360,531	\$ 6,360,531	\$ 6,027,143	\$ (333,388)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,973,805	\$ 1,973,805	\$ 1,899,086	\$ (74,719)
Basic school aid	6,668,059	6,668,059	6,704,092	36,033
Share of fringe benefits - Fica	466,245	466,245	465,680	(565)
Share of fringe benefits - VRS	779,295	779,295	902,309	123,014
English as a second language	75,584	75,584	73,717	(1,867)
Group life insurance benefits	29,973	29,973	29,937	(36)
Regional tuition special education	81,210	81,210	99,955	18,745
Early reading intervention	53,747	53,747	105,054	51,307
Vocational SOQ payments	154,860	154,860	154,672	(188)
Special education - basic	999,124	999,124	1,007,424	8,300
At risk students	554,698	554,698	554,285	(413)
Homebound education	12,480	12,480	16,017	3,537
Remedial education	213,191	213,191	147,679	(65,512)
Remediation SOQ payments	469,575	469,575	469,006	(569)
Reduced K-3	608,428	608,428	683,412	74,984
Preschool initiative	323,955	323,955	323,955	-
Textbooks	149,415	149,415	149,234	(181)
Technology	168,891	168,891	230,997	62,106
Other state funds	539,547	671,422	500,975	(170,447)
Total categorical aid	<u>\$ 14,322,082</u>	<u>\$ 14,453,957</u>	<u>\$ 14,517,486</u>	<u>\$ 63,529</u>
Total revenue from the Commonwealth	<u>\$ 14,322,082</u>	<u>\$ 14,453,957</u>	<u>\$ 14,517,486</u>	<u>\$ 63,529</u>
Revenue from the federal government:				
Categorical aid:				
Vocational education - Carl Perkins	\$ 54,181	\$ 108,361	\$ 55,773	\$ (52,588)
NASA program	-	75,150	70,057	(5,093)
Other federal categorical aid	35,658	35,658	34,880	(778)
Total categorical aid	<u>\$ 89,839</u>	<u>\$ 219,169</u>	<u>\$ 160,710</u>	<u>\$ (58,459)</u>
Total revenue from the federal government	<u>\$ 89,839</u>	<u>\$ 219,169</u>	<u>\$ 160,710</u>	<u>\$ (58,459)</u>
Total School Operating Fund	<u><u>\$ 21,310,158</u></u>	<u><u>\$ 21,705,363</u></u>	<u><u>\$ 21,478,883</u></u>	<u><u>\$ (226,480)</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2014 (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	\$ 359	\$ (1,941)
Charges for services:				
Cafeteria sales	\$ 548,400	\$ 548,400	\$ 428,831	\$ (119,569)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 28,105	\$ 28,105	\$ 32,177	\$ 4,072
Revenue from the federal government:				
Categorical aid:				
School food	\$ 791,345	\$ 791,345	\$ 1,082,145	\$ 290,800
Total School Cafeteria Fund	\$ 1,370,150	\$ 1,370,150	\$ 1,543,512	\$ 173,362
School Grants Fund:				
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ -	\$ 2,530	\$ 2,530
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ -	\$ 1,047,796	\$ 1,076,223	\$ 28,427
Title II - teacher quality	-	120,654	120,645	(9)
Title III - language acquisition grant	-	10,349	8,701	(1,648)
Title VI - rural education	-	84,076	32,096	(51,980)
School improvement	-	-	3,492	3,492
Special education - flow through	-	1,000,262	543,689	(456,573)
Special education - preschool	-	11,404	7,015	(4,389)
Special education - math supplement	-	-	5,740	5,740
21st Century Title IV-B	-	160,000	136,049	(23,951)
Total revenue from the federal government	\$ -	\$ 2,434,541	\$ 1,933,650	\$ (500,891)
Total School Grants Fund	\$ -	\$ 2,434,541	\$ 1,936,180	\$ (498,361)
Total Revenues--Component Unit - School Board	\$ 22,680,308	\$ 25,510,054	\$ 24,958,575	\$ (551,479)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2014

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	\$ 40,008	\$ 40,008	\$ 37,076	\$ 2,932
General and Financial Administration:				
Clerk of council	\$ 1,965	\$ 1,965	\$ 1,447	\$ 518
City attorney	93,231	93,231	117,622	(24,391)
City manager's office	255,616	326,583	323,296	3,287
Assistant city manager	128,385	128,385	676	127,709
Legal services	15,500	15,500	11,994	3,506
Human resources	181,918	181,918	186,202	(4,284)
Employment services	342,147	349,306	290,032	59,274
Communications	24,567	24,567	24,078	489
Commissioner of the Revenue	424,524	427,720	415,978	11,742
Assessor	550	354	149	205
Treasurer	272,703	272,703	271,395	1,308
Finance director	131,910	132,411	114,029	18,382
Accounting	236,645	236,645	164,229	72,416
Utility billing	479,776	479,776	427,840	51,936
Information services	400,970	400,970	383,137	17,833
Central garage	513,608	513,608	488,754	24,854
Purchasing	171,346	171,346	166,318	5,028
Risk management	273,000	273,000	232,436	40,564
General expenses	282,458	282,458	242,236	40,222
Total general and financial administration	\$ 4,230,819	\$ 4,312,446	\$ 3,861,848	\$ 450,598
Board of Elections:				
Electoral board and officials	\$ 22,284	\$ 22,284	\$ 16,153	\$ 6,131
Registrar	120,991	120,991	97,842	23,149
Total board of elections	\$ 143,275	\$ 143,275	\$ 113,995	\$ 29,280
Total general government administration	\$ 4,414,102	\$ 4,495,729	\$ 4,012,919	\$ 482,810
Judicial Administration:				
Courts:				
Circuit court	\$ 95,639	\$ 95,639	\$ 81,281	\$ 14,358
General district court	32,375	32,375	21,907	10,468
Juvenile and domestic relations court	7,580	7,580	7,181	399
Clerk of the circuit court	394,238	394,238	397,391	(3,153)
Sheriff - courts	766,581	777,804	953,967	(176,163)
Total Courts	\$ 1,296,413	\$ 1,307,636	\$ 1,461,727	\$ (154,091)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2014 (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	\$ 647,548	\$ 673,086	\$ 631,163	\$ 41,923
Victim witness program	71,439	71,439	71,873	(434)
Total Commonwealth attorney	<u>\$ 718,987</u>	<u>\$ 744,525</u>	<u>\$ 703,036</u>	<u>\$ 41,489</u>
Total judicial administration	<u>\$ 2,015,400</u>	<u>\$ 2,052,161</u>	<u>\$ 2,164,763</u>	<u>\$ (112,602)</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	\$ 4,001,992	\$ 4,135,326	\$ 3,717,643	\$ 417,683
Transportation safety commission	1,500	1,500	1,496	4
Total law enforcement and traffic control	<u>\$ 4,003,492</u>	<u>\$ 4,136,826</u>	<u>\$ 3,719,139</u>	<u>\$ 417,687</u>
Fire and Rescue Services:				
Fire services	\$ 2,057,295	\$ 2,113,501	\$ 1,993,035	\$ 120,466
Emergency medical services	199,061	229,067	193,824	35,243
Total fire and rescue services	<u>\$ 2,256,356</u>	<u>\$ 2,342,568</u>	<u>\$ 2,186,859</u>	<u>\$ 155,709</u>
Correction and Detention:				
Sheriff -corrections	\$ 2,957,691	\$ 3,020,067	\$ 2,610,806	\$ 409,261
Sheriff -jail annex	161,565	164,273	160,752	3,521
Probation office	259,654	259,654	258,608	1,046
Total correction and detention	<u>\$ 3,378,910</u>	<u>\$ 3,443,994</u>	<u>\$ 3,030,166</u>	<u>\$ 413,828</u>
Inspections:				
Building and other	\$ 248,435	\$ 306,717	\$ 230,711	\$ 76,006
Other Protection:				
Safety	\$ 96,730	\$ 104,230	\$ 96,539	\$ 7,691
Total public safety	<u>\$ 9,983,923</u>	<u>\$ 10,334,335</u>	<u>\$ 9,263,414</u>	<u>\$ 1,070,921</u>
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Director of public works	\$ 146,238	\$ 146,238	\$ 113,243	\$ 32,995
Engineering	150,430	150,530	111,454	39,076
Street maintenance	1,929,122	1,929,122	1,454,346	474,776
Street marking and signs	203,998	506,727	614,830	(108,103)
Traffic signals	329,985	329,985	304,753	25,232

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2014 (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)				
Street cleaning	\$ 470,200	\$ 470,200	\$ 605,004	\$ (134,804)
VDOT reserve	25,000	25,000	-	25,000
Street construction	414,538	414,538	397,668	16,870
Thoroughfare construction	40,000	1,940,919	1,938,923	1,996
	<u>3,709,511</u>	<u>5,913,259</u>	<u>5,540,221</u>	<u>373,038</u>
Total maintenance of highways, streets, bridges and sidewalks				
	<u>\$ 3,709,511</u>	<u>\$ 5,913,259</u>	<u>\$ 5,540,221</u>	<u>\$ 373,038</u>
Maintenance of buildings and grounds:				
Uptown maintenance	\$ 45,510	\$ 45,510	\$ 43,067	\$ 2,443
City hall maintenance	455,078	455,078	406,198	48,880
Social services building maintenance	99,365	99,365	102,611	(3,246)
Indoor Plumbing	100	100	45	55
WPBDC building	10,000	10,000	2,314	7,686
Housing services building	7,120	7,120	4,490	2,630
	<u>617,173</u>	<u>617,173</u>	<u>558,725</u>	<u>58,448</u>
Total maintenance of buildings and grounds				
	<u>\$ 617,173</u>	<u>\$ 617,173</u>	<u>\$ 558,725</u>	<u>\$ 58,448</u>
Total public works				
	<u>\$ 4,326,684</u>	<u>\$ 6,530,432</u>	<u>\$ 6,098,946</u>	<u>\$ 431,486</u>
Health and Welfare				
Health:				
Contribution to local health department	\$ 203,010	\$ 203,010	\$ 216,943	\$ (13,933)
Mental Health and Mental Retardation:				
Chapter X board	\$ 56,432	\$ 56,432	\$ 56,432	\$ -
Welfare/Social Services:				
Comprehensive services	\$ 275,000	\$ 275,000	\$ 142,774	\$ 132,226
Regional social services board	349,017	354,397	304,270	50,127
	<u>624,017</u>	<u>629,397</u>	<u>447,044</u>	<u>182,353</u>
Total welfare/social services				
	<u>\$ 624,017</u>	<u>\$ 629,397</u>	<u>\$ 447,044</u>	<u>\$ 182,353</u>
Total health and welfare				
	<u>\$ 883,459</u>	<u>\$ 888,839</u>	<u>\$ 720,419</u>	<u>\$ 168,420</u>
Education:				
Contributions to community colleges	\$ 17,720	\$ 17,720	\$ 17,720	\$ -
Contributions to School Board Component Unit	6,360,531	6,360,531	6,027,143	333,388
	<u>6,378,251</u>	<u>6,378,251</u>	<u>6,044,863</u>	<u>333,388</u>
Total education				
	<u>\$ 6,378,251</u>	<u>\$ 6,378,251</u>	<u>\$ 6,044,863</u>	<u>\$ 333,388</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2014 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Parks, Recreation, and Cultural:				
Parks and recreation:				
Parks & Recreation	\$ 88,393	\$ 88,393	\$ 88,653	\$ (260)
Park maintenance	276,237	280,298	242,571	37,727
Hooker field	100,784	100,784	95,007	5,777
Senior center	224,933	239,427	207,901	31,526
Armory	93,145	93,145	91,007	2,138
Total parks and recreation	<u>\$ 783,492</u>	<u>\$ 802,047</u>	<u>\$ 725,139</u>	<u>\$ 76,908</u>
Library:				
Regional library	\$ 289,696	\$ 289,696	\$ 289,651	\$ 45
Total parks, recreation and cultural	<u>\$ 1,073,188</u>	<u>\$ 1,091,743</u>	<u>\$ 1,014,790</u>	<u>\$ 76,953</u>
Community Development:				
Planning and Community Development:				
Housing / community development	\$ 262,790	\$ 387,859	\$ 333,129	\$ 54,730
Minet phone and internet system	561,601	577,459	762,024	(184,565)
Planning and zoning	215,889	215,889	202,019	13,870
Other community development	47,802	47,802	43,371	4,431
Contributions to local organizations	798,325	798,325	784,857	13,468
Total planning and community development	<u>\$ 1,886,407</u>	<u>\$ 2,027,334</u>	<u>\$ 2,125,400</u>	<u>\$ (98,066)</u>
Cooperative Extension Program:				
Horticulture and family resources	\$ 6,925	\$ 6,925	\$ 6,925	\$ -
Total community development	<u>\$ 1,893,332</u>	<u>\$ 2,034,259</u>	<u>\$ 2,132,325</u>	<u>\$ (98,066)</u>
Total General Fund	<u><u>\$ 30,968,339</u></u>	<u><u>\$ 33,805,749</u></u>	<u><u>\$ 31,452,439</u></u>	<u><u>\$ 2,353,310</u></u>
Special Revenue Funds:				
City Grants Fund:				
Community Development:				
Community development block grant	\$ 216,362	\$ 888,728	\$ 1,176,045	\$ (287,317)
Total City Grants Fund	<u><u>\$ 216,362</u></u>	<u><u>\$ 888,728</u></u>	<u><u>\$ 1,176,045</u></u>	<u><u>\$ (287,317)</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2014 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Housing Choice Fund:				
Community Development:				
Housing choice voucher program	\$ 2,013,343	\$ 2,025,343	\$ 1,727,229	\$ 298,114
Total Housing Choice Fund	\$ 2,013,343	\$ 2,025,343	\$ 1,727,229	\$ 298,114
Total Special Revenue Funds	\$ 2,229,705	\$ 2,914,071	\$ 2,903,274	\$ 10,797
Capital Project Funds:				
Capital Reserve Fund:				
General Government Administration:				
ADP equipment - information services	\$ 97,500	\$ 115,806	\$ 75,107	\$ 40,699
City hall	145,550	255,545	113,111	142,434
Street construction	40,000	38,394	33,515	4,879
Total general government administration	\$ 283,050	\$ 409,745	\$ 221,733	\$ 188,012
Public Safety:				
Law Enforcement and Traffic Control:				
Police department - communication equipment	\$ 20,000	\$ 20,000	\$ 14,966	\$ 5,034
Police department - motor vehicles	58,000	79,519	79,519	-
Jail - motor vehicles	30,000	30,000	28,990	1,010
Total law enforcement and traffic control	\$ 108,000	\$ 129,519	\$ 123,475	\$ 6,044
Fire and Rescue Services:				
Fire services - motor vehicles	\$ -	\$ 456,436	\$ 456,436	\$ -
Fire services - tools and equipment	-	11,142	2,364	8,778
Total fire and rescue services	\$ -	\$ 467,578	\$ 458,800	\$ 8,778
Total public safety	\$ 108,000	\$ 597,097	\$ 582,275	\$ 14,822
Parks, Recreation, and Cultural:				
Parks and recreation:				
Park maintenance	\$ 8,000	\$ 12,844	\$ 12,843	\$ 1
Total parks, recreation and cultural	\$ 8,000	\$ 12,844	\$ 12,843	\$ 1
Debt service:				
Principal retirement	\$ 290,642	\$ 290,642	\$ 2,009,341	\$ (1,718,699)
Interest and other debt costs	70,167	70,167	101,566	(31,399)
Total debt service	\$ 360,809	\$ 360,809	\$ 2,110,907	\$ (1,750,098)
Total Capital Reserve Fund	\$ 759,859	\$ 1,380,495	\$ 2,927,758	\$ (1,547,263)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2014 (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)				
Meals Tax Fund:				
General Government Administration:				
Meals tax administration	\$ 49,906	\$ 49,906	\$ 49,906	\$ -
Education:				
High School improvements	\$ -	\$ 1,736,047	\$ 1,296,918	\$ 439,129
Debt service:				
Principal retirement	\$ 904,364	\$ 904,364	\$ 904,364	\$ -
Interest and other debt costs	620,759	620,759	620,759	-
Total debt service	\$ 1,525,123	\$ 1,525,123	\$ 1,525,123	\$ -
Total Meals Tax Fund	\$ 1,575,029	\$ 3,311,076	\$ 2,871,947	\$ 439,129
Total Capital Project Funds	\$ 2,334,888	\$ 4,691,571	\$ 5,799,705	\$ (1,108,134)
Total Expenditures - Primary Government	\$ 35,532,932	\$ 41,411,391	\$ 40,155,418	\$ 1,255,973
Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction	\$ 15,853,189	\$ 16,251,141	\$ 15,799,255	\$ 451,886
Administration, attendance and health	1,297,355	1,297,355	1,165,226	132,129
Pupil transportation	961,107	961,107	925,804	35,303
Operation and maintenance of school plant	2,259,620	2,339,028	2,609,279	(270,251)
Technology	938,887	1,007,260	979,319	27,941
Total operating costs	\$ 21,310,158	\$ 21,855,891	\$ 21,478,883	\$ 377,008
Total School Operating Fund	\$ 21,310,158	\$ 21,855,891	\$ 21,478,883	\$ 377,008
School Cafeteria Fund:				
Education:				
School food services	\$ 1,370,150	\$ 1,701,710	\$ 1,677,449	\$ 24,261
School Grants Fund:				
Education:				
Instruction costs	\$ -	\$ 2,434,541	\$ 1,951,348	\$ 483,193
Total Expenditures - Component Unit - School Board	\$ 22,680,308	\$ 25,992,142	\$ 25,107,680	\$ 884,462

<u>Section</u>	<u>Description / Table Name</u>	<u>Table Number</u>
<u>Financial Trends</u>		
These tables contain trend information to help the reader understand how the the City's financial performance and well-being have changed over time.		
	Net Position by Component	1
	Changes in Net Position	2
	Level of Unrestricted Net Position	3
	Governmental Activities Tax Revenues by Source--(Accrual Basis of Accounting)	4
	Fund Balances of Governmental Funds	5
	Fund Balance Summary	6
	Changes in Fund Balances of Governmental Funds	7
	Level of Unreserved/Unassigned Fund Balance	8
	Governmental Activities Tax Revenues by Source (Modified Accrual Basis of Accounting)	9
	Local Sales Tax Growth	10
	Utility Analysis of Unrestricted Net Position	11
<u>Revenue Capacity</u>		
These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.		
	Assessed Value of Taxable Property and Tax Rates	12
	Property Tax Levies and Collections	13
<u>Debt Capacity</u>		
These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.		
	Ratios of Outstanding Debt by Type	14
	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	15
	Computation of Direct and Overlapping Bonded Debt	16
	Expenditures Per Capita Ratios	17
<u>Demographic and Economic 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 Eight Fiscal Years
(Accrual Basis of Accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
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	\$ 7,783,672	\$ 9,025,281
Unrestricted	<u>4,734,923</u>	<u>6,512,958</u>	<u>5,938,838</u>	<u>5,095,384</u>	<u>5,709,696</u>	<u>10,833,837</u>	<u>9,266,186</u>	<u>11,321,289</u>
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>\$ 17,049,858</u>	<u>\$ 20,346,570</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	\$ 17,998,885
Unrestricted	<u>8,031,456</u>	<u>8,389,158</u>	<u>6,452,916</u>	<u>7,012,823</u>	<u>7,017,111</u>	<u>8,058,407</u>	<u>10,467,030</u>	<u>9,385,092</u>
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>	<u>\$ 27,383,977</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	\$ 25,452,292	\$ 27,024,166
Unrestricted	<u>12,766,379</u>	<u>14,902,116</u>	<u>12,391,754</u>	<u>12,391,754</u>	<u>12,108,207</u>	<u>18,892,244</u>	<u>19,733,216</u>	<u>20,706,381</u>
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>\$ 45,185,508</u>	<u>\$ 47,730,547</u>

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

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

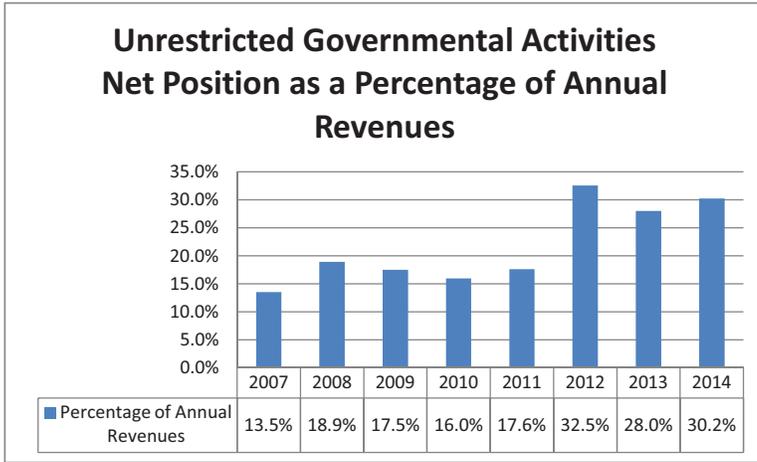
	Fiscal Year							
	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:								
Governmental activities:								
General government administration	\$ 3,163,344	\$ 3,632,533	\$ 4,276,071	\$ 4,093,661	\$ 3,814,802	\$ 3,637,285	\$ 3,632,201	\$ 3,652,928
Judicial administration	1,767,723	1,907,359	2,000,159	1,885,494	1,878,258	1,918,028	1,981,577	2,165,263
Public safety	9,048,222	9,397,114	9,696,451	9,472,187	8,997,810	9,228,325	9,393,253	9,418,417
Public works	4,399,867	4,210,661	4,692,221	4,304,621	4,178,766	4,011,222	4,957,877	4,265,599
Health and welfare	577,782	502,245	582,129	1,292,705	606,262	563,668	748,961	679,779
Education	7,418,547	7,834,905	7,679,809	6,778,437	6,400,860	3,525,833	5,800,158	6,876,345
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	1,044,516
Community development	4,303,337	3,005,045	3,954,587	3,755,520	4,117,538	3,498,547	3,705,549	5,390,512
Interest and other fiscal charges	511,628	313,246	514,838	402,996	348,232	395,761	488,284	688,152
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	\$ 34,181,511
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	\$ 16,329,938
Water	1,873,437	2,014,138	2,135,742	1,874,519	1,694,197	1,713,386	1,756,400	1,744,194
Sewer	2,775,866	2,818,953	3,105,291	2,996,728	2,652,619	2,712,919	2,762,385	3,107,701
Refuse collection / landfill	1,289,533	2,957,901	2,368,403	1,138,147	1,095,958	1,262,415	1,566,262	1,490,749
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	\$ 22,672,582
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	\$ 56,854,093
Program revenues:								
Governmental activities:								
Charges for services:								
General government administration	\$ 80,019	\$ 91,900	\$ 113,848	\$ 143,120	\$ 191,123	\$ 186,019	\$ 210,744	\$ 27,323
Judicial administration	260,975	234,672	252,763	273,737	202,053	209,709	215,326	177,396
Public safety	334,052	325,242	361,662	421,844	509,000	599,126	603,156	502,374
Public works	90,002	90,879	92,071	109,045	24,000	24,000	24,000	24,000
Parks, recreation, and cultural	142,074	135,477	141,895	162,368	139,931	148,883	51,468	224,677
Operating grants and contributions:								
General government administration	272,402	276,647	267,032	234,313	277,056	423,555	275,042	310,483
Judicial administration	786,710	866,548	780,735	736,621	713,051	719,769	721,469	738,874
Public safety	3,535,245	3,940,060	3,955,895	3,397,090	3,239,401	3,283,016	3,189,324	3,229,434
Public works	2,431,846	2,591,437	2,642,578	2,625,314	3,395,752	3,274,179	2,937,259	3,183,251
Health and welfare	360,404	13,996	12,258	23,973	-	51,227	146,616	106,284
Parks, recreation, and cultural	18,227	21,953	17,467	21,545	36,342	34,633	29,024	34,111
Community development	2,426,624	2,715,790	2,378,903	2,280,439	2,081,905	2,179,828	1,816,471	3,566,872
Capital grants and contributions	834,435	647,121	138,691	590,000	-	-	2,051,086	1,900,918
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	\$ 14,025,997

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

	Fiscal Year							
	2007	2008	2009	2010	2011	2012	2013	2014
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	\$ 17,196,837
Water	2,998,529	3,639,981	3,216,234	2,912,964	3,090,420	3,108,345	3,223,717	3,268,689
Sewer	3,300,744	3,815,476	3,876,929	3,763,519	3,611,687	4,036,668	3,917,792	3,840,429
Refuse collection / landfill	1,396,947	1,370,624	1,431,649	1,698,501	1,651,673	1,678,419	1,599,297	2,080,731
Operating grants and contributions	48,003	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	1,878,298	-	15,894
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	\$ 26,402,580
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	\$ 40,428,577
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)	\$ (20,155,514)
Business-type activities	4,304,816	4,006,249	1,984,074	2,557,323	3,284,911	7,031,372	5,783,123	3,729,998
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)	\$ (16,425,516)
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	\$ 9,063,889
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	2,017,806
Consumer utility taxes	758,582	749,579	735,458	718,563	710,361	695,041	684,046	669,664
Business license taxes	1,757,733	1,837,209	1,849,974	1,676,826	1,947,085	1,720,315	1,769,645	1,807,604
Meals tax	1,368,860	1,403,131	1,430,326	1,390,907	1,409,442	1,434,966	1,552,032	1,583,889
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	838,603
Grants and contributions not restricted to specific programs	734,180	724,000	704,371	695,066	1,657,430	1,631,430	1,642,941	1,634,436
Unrestricted revenues from use of money and property	1,460,400	1,006,575	732,669	714,804	612,256	725,358	684,989	925,705
Miscellaneous	320,679	283,529	441,675	374,241	916,783	510,730	263,000	403,029
Transfers	4,392,215	3,483,779	3,649,442	2,803,021	2,736,292	4,011,638	2,743,691	4,507,601
Total governmental activities	\$ 23,527,136	\$ 22,547,606	\$ 22,795,231	\$ 20,906,934	\$ 21,596,317	\$ 22,167,492	\$ 20,830,689	\$ 23,452,226
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)	\$ (4,507,601)
Unrestricted revenues from use of money and property	187,327	125,885	5,505	14,364	38,698	30,599	26,213	25,930
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)	\$ (4,481,671)
Total primary government	\$ 19,322,248	\$ 19,189,712	\$ 19,151,294	\$ 18,118,277	\$ 18,898,723	\$ 18,186,453	\$ 18,113,211	\$ 18,970,555
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	\$ 3,296,712
Business-type activities	99,928	648,355	(1,659,863)	(231,334)	587,317	3,050,333	3,065,645	(751,673)
Total primary government	\$ 2,522,917	\$ 2,603,808	\$ (2,202,073)	\$ (1,439,899)	\$ 1,310,205	\$ 8,318,305	\$ 4,373,785	\$ 2,545,039

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

Level of Unrestricted Net Position
 Last Eight 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, 2014, the City's total unrestricted net position approximated \$11.3 million or 30.2% of annual total revenues. This represents an increase of \$2,050,792 or 22.1% compared to the year ended June 30, 2013.

Governmental Activities Tax Revenues by Source
 Last Nine 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
2014	\$ 9,063,889	\$ 2,017,806	\$ 669,664	\$ 1,807,604	\$ 1,583,889	\$ -	\$ 838,603	\$ 15,981,455
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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General fund					
Unreserved, designated	\$ 154,099	\$ 154,099	\$ 154,099	\$ 154,099	\$ 154,099
Unreserved, undesignated	354,406	954,031	2,081,470	3,666,122	2,959,209
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 508,505</u>	<u>\$ 1,108,130</u>	<u>\$ 2,235,569</u>	<u>\$ 3,820,221</u>	<u>\$ 3,113,308</u>
All other governmental funds					
Unreserved, reported in:					
Special revenue funds (deficit)	\$ 1,127,266	\$ (459,576)	\$ 54,241	\$ 516,890	\$ 116,818
Capital projects funds	(347,663)	169,943	1,070,070	834,781	1,177,707
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>\$ 779,603</u>	<u>\$ (289,633)</u>	<u>\$ 1,124,311</u>	<u>\$ 1,351,671</u>	<u>\$ 1,294,525</u>
Total governmental funds	<u>\$ 1,288,108</u>	<u>\$ 818,497</u>	<u>\$ 3,359,880</u>	<u>\$ 5,171,892</u>	<u>\$ 4,407,833</u>

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

Table 5

	2010	2011	2012	2013	2014
\$	154,099	\$ -	\$ -	\$ -	\$ -
	2,090,139	-	-	-	-
	-	512,136	795,619	841,646	993,900
	-	1,690,400	1,690,400	1,698,115	2,043,941
	-	154,099	154,099	154,099	25,000
	-	774,240	4,734,167	4,535,327	4,568,620
\$	<u>2,244,238</u>	<u>3,130,875</u>	<u>7,374,285</u>	<u>7,229,187</u>	<u>7,631,461</u>
\$	(230,984)	\$ -	\$ -	\$ -	\$ -
	1,171,520	-	-	-	-
	-	-	-	477,955	-
	-	-	10,053,594	2,274,054	190,981
	-	161,982	280,061	11,809	395,408
	-	1,196,779	705,957	318,876	1,260,911
	-	(587,971)	(583,105)	(592,879)	(23,767)
\$	<u>940,536</u>	<u>770,790</u>	<u>10,456,507</u>	<u>2,489,815</u>	<u>1,823,533</u>
\$	<u>3,184,774</u>	<u>3,901,665</u>	<u>17,830,792</u>	<u>9,719,002</u>	<u>9,454,994</u>

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Fund Balance Summary
 Year Ended June 30, 2014
 (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.

	<u>General Fund</u>	<u>City Grants Fund</u>	<u>Housing Choice Fund</u>	<u>Capital Reserve Fund</u>	<u>Meals Tax Fund</u>	<u>Total</u>
Nonspendable:						
Inventory	\$ 987,769	\$ -	\$ -	\$ -	\$ -	\$ 987,769
Prepaid items	6,131	-	-	-	-	6,131
Restricted for:						
Capital projects	-	-	-	35,112	155,869	190,981
Committed to:						
Centre Infrastructure project	1,666,700	-	-	-	-	1,666,700
Piedmont Area Regional Transit	28,725	-	-	-	-	28,725
Housing Choice program	-	-	395,408	-	-	395,408
General Gov't Administration	2,611	-	-	-	-	2,611
Judicial Administration	31,378	-	-	-	-	31,378
Public Safety	256,601	-	-	-	-	256,601
Public Works	51,502	-	-	-	-	51,502
Health & Welfare	6,424	-	-	-	-	6,424
Assigned to:						
Thoroughfare construction	25,000	-	-	-	-	25,000
Capital reserve fund	-	-	-	424,725	-	424,725
Meals tax fund	-	-	-	-	836,186	836,186
Unassigned	<u>4,568,620</u>	<u>(23,767)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,544,853</u>
Total fund balance	<u>\$ 7,631,461</u>	<u>\$ (23,767)</u>	<u>\$ 395,408</u>	<u>\$ 459,837</u>	<u>\$ 992,055</u>	<u>\$ 9,454,994</u>

CITY OF MARTINSVILLE, VIRGINIA

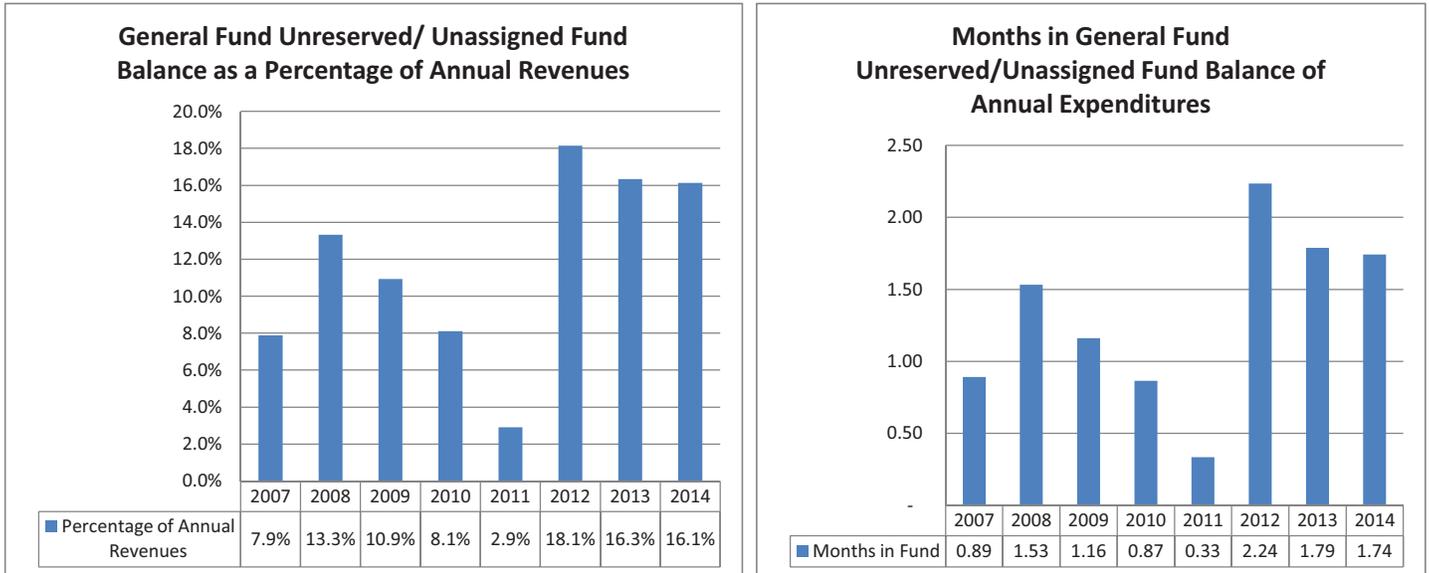
Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues:					
General property taxes	\$ 7,338,045	\$ 7,642,006	\$ 8,744,282	\$ 9,252,784	\$ 9,305,221
Other local taxes	7,352,810	7,566,200	7,860,321	7,847,713	7,823,526
Permits, privilege fees and regulatory licenses	199,679	418,210	436,393	432,554	447,276
Fines and forfeitures	251,543	235,837	207,286	167,266	180,298
Revenue from use of money and property	659,907	965,674	1,472,629	1,006,575	732,669
Charges for services	213,979	236,278	263,442	278,350	334,665
Miscellaneous	292,673	246,894	320,678	283,529	441,676
Recovered costs	900,686	894,882	1,084,522	1,113,309	995,822
Intergovernmental:					
Commonwealth	6,995,579	7,176,201	8,346,744	8,840,847	7,764,295
Federal	2,255,816	2,468,561	3,053,329	2,956,705	3,133,635
Total revenues	<u>\$ 26,460,717</u>	<u>\$ 27,850,743</u>	<u>\$ 31,789,626</u>	<u>\$ 32,179,632</u>	<u>\$ 31,159,083</u>
Expenditures:					
General government administration	\$ 4,079,407	\$ 3,924,510	\$ 3,888,574	\$ 4,302,438	\$ 5,012,363
Judicial administration	1,468,873	1,566,000	1,779,779	1,907,589	2,000,189
Public safety	8,935,052	9,200,137	9,191,113	9,716,719	9,874,293
Public works	3,551,770	3,820,345	4,518,076	4,062,576	4,911,994
Health and welfare	454,094	642,240	600,133	521,146	605,854
Education	6,403,847	8,740,321	6,695,401	7,082,718	6,891,809
Parks, recreation, and cultural	1,157,425	1,459,050	1,491,346	1,722,562	1,108,760
Community development	3,766,058	3,726,792	4,516,723	2,970,905	3,950,792
Debt service:					
Principal retirement	1,092,255	1,183,049	1,103,063	3,660,658	3,660,350
Interest and other fiscal charges	497,758	638,403	482,109	368,440	528,333
Total expenditures	<u>\$ 31,406,539</u>	<u>\$ 34,900,847</u>	<u>\$ 34,266,317</u>	<u>\$ 36,315,751</u>	<u>\$ 38,544,737</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (4,945,822)</u>	<u>\$ (7,050,105)</u>	<u>\$ (2,476,691)</u>	<u>\$ (4,136,119)</u>	<u>\$ (7,385,654)</u>
Other financing sources (uses):					
Issuance of debt	\$ 427,575	\$ 4,529,764	\$ 500,000	\$ 2,464,452	\$ 2,972,053
Payment to refunded bond escrow agent	-	(2,499,764)	-	-	-
Transfers in	5,868,548	4,859,443	5,442,840	3,975,745	3,773,941
Transfers (out)	(1,125,214)	(308,950)	(1,050,625)	(491,966)	(124,499)
Total other financing sources (uses)	<u>\$ 5,170,909</u>	<u>\$ 6,580,493</u>	<u>\$ 4,892,215</u>	<u>\$ 5,948,231</u>	<u>\$ 6,621,495</u>
Net changes in fund balances	<u>\$ 225,087</u>	<u>\$ (469,612)</u>	<u>\$ 2,415,524</u>	<u>\$ 1,812,112</u>	<u>\$ (764,159)</u>
Debt service as a percentage of noncapital expenditures	<u>5.52%</u>	<u>5.64%</u>	<u>4.70%</u>	<u>11.26%</u>	<u>11.16%</u>

Table 7

	2010	2011	2012	2013	2014
\$	9,080,208	\$ 8,941,108	\$ 8,622,900	\$ 8,760,993	\$ 8,683,569
	6,345,922	6,794,798	6,621,038	6,680,403	6,917,566
	560,910	505,375	594,763	145,833	83,931
	172,344	151,231	163,118	164,533	126,049
	714,804	612,256	725,358	684,989	925,705
	376,859	409,501	409,856	794,328	745,790
	374,241	938,783	510,730	263,000	403,029
	1,077,895	974,492	1,126,724	991,218	1,041,507
	8,968,309	9,079,756	8,840,678	8,927,696	9,150,812
	2,573,838	2,321,181	2,939,213	4,259,593	5,553,851
\$	<u>30,245,330</u>	<u>\$ 30,728,481</u>	<u>\$ 30,554,378</u>	<u>\$ 31,672,586</u>	<u>\$ 33,631,809</u>
\$	4,769,772	\$ 4,320,113	\$ 5,501,331	\$ 4,745,980	\$ 4,284,558
	1,885,975	1,887,939	1,917,844	1,983,255	2,164,763
	9,399,480	9,005,610	9,046,810	9,579,378	9,845,689
	4,141,317	4,084,984	3,993,552	6,637,533	6,098,946
	1,396,264	627,135	604,746	792,657	720,419
	6,039,577	5,697,421	3,638,582	12,477,628	7,341,781
	1,165,186	1,500,498	1,218,913	1,068,617	1,027,633
	4,173,213	4,066,774	3,474,873	3,817,336	5,035,599
	1,251,510	1,188,028	1,207,842	1,167,732	2,913,705
	389,116	369,380	582,396	717,951	722,325
\$	<u>34,611,410</u>	<u>\$ 32,747,882</u>	<u>\$ 31,186,889</u>	<u>\$ 42,988,067</u>	<u>\$ 40,155,418</u>
\$	<u>(4,366,080)</u>	<u>(2,019,401)</u>	<u>(632,511)</u>	<u>(11,315,481)</u>	<u>(6,523,609)</u>
\$	340,000	\$ -	\$ 10,550,000	\$ 460,000	\$ 1,752,000
	-	-	-	-	-
	3,096,834	2,957,692	4,256,202	3,062,864	5,357,541
	(293,813)	(221,400)	(244,564)	(319,173)	(849,940)
\$	<u>3,143,021</u>	<u>\$ 2,736,292</u>	<u>\$ 14,561,638</u>	<u>\$ 3,203,691</u>	<u>\$ 6,259,601</u>
\$	<u>(1,223,059)</u>	<u>\$ 716,891</u>	<u>\$ 13,929,127</u>	<u>(8,111,790)</u>	<u>(264,008)</u>
	<u>4.77%</u>	<u>4.81%</u>	<u>6.14%</u>	<u>5.75%</u>	<u>10.02%</u>

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



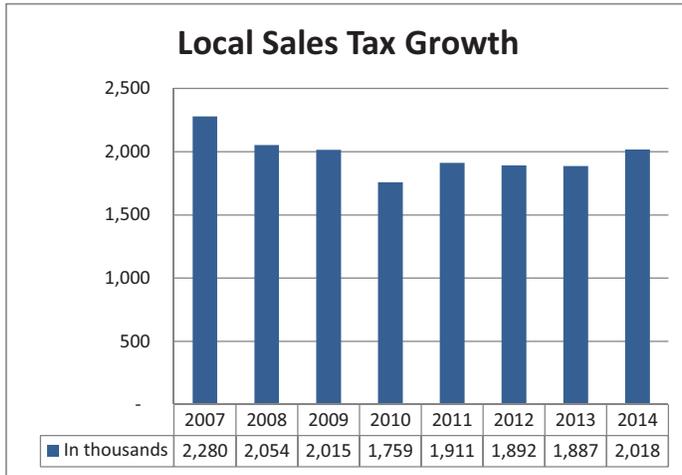
The level of unreserved fund balance is an indication of the amount of unexpended, unencumbered and available resources the government has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls, or other unexpected needs. Beginning in fiscal year ending June 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	Communications Taxes	Other Local Taxes	Total
2014	\$ 8,683,569	\$ 2,017,806	\$ 669,664	\$ 1,807,604	\$ 1,583,889	912,783	838,603	\$ 16,513,918
2013	8,760,993	1,886,892	684,046	1,769,645	1,552,032	935,756	787,788	16,377,152
2012	8,622,900	1,891,909	695,041	1,720,315	1,434,966	911,484	878,807	16,155,422
2011	8,941,108	1,911,276	710,361	1,947,085	1,409,442	961,470	816,634	16,697,376
2010	9,080,208	1,759,239	718,563	1,676,826	1,390,907	937,786	800,387	16,363,916
2009	9,305,221	2,015,151	735,458	1,849,974	1,430,326	968,924	823,693	17,128,747
2008	9,252,784	2,054,229	749,579	1,837,209	1,403,131	1,031,174	772,391	17,100,497
2007	8,744,282	2,279,517	758,582	1,757,733	1,368,860	794,016	901,612	16,604,602
2006	7,642,006	2,145,605	768,590	1,713,541	1,155,170	832,467	950,827	15,208,206
2005	7,338,045	2,020,464	769,307	1,750,980	1,119,338	788,300	904,421	14,690,855

Local Sales Tax Growth
 Last Eight 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, 2014, the City experienced an increase in sales tax collections of approximately \$131,000 or 6.94%.

Utility Analysis of Unrestricted Net Position
 At June 30, 2014

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Collection/ Landfill Fund</u>	<u>Total</u>
Net Position at June 30, 2014	\$ 14,184,190	\$ 5,246,554	\$ 3,736,106	\$ 4,217,127	\$ 27,383,977
Less capital assets	(9,228,420)	(4,425,382)	(3,339,872)	(2,439,211)	(19,432,885)
Add current portion of long-term obligations	22,611	4,724	23,128	403,398	453,861
Add noncurrent portion of long-term obligations	136,497	42,517	172,470	4,700,274	5,051,758
Less compensated absences	(46,108)	(47,241)	(78,703)	(14,057)	(186,109)
Less landfill closure and post-closure costs	-	-	-	(3,439,510)	(3,439,510)
Less series 2009B general obligation bonds (non-capital related debt)	-	-	-	(446,000)	(446,000)
Unrestricted Net Position at June 30, 2014	<u>\$ 5,068,770</u>	<u>\$ 821,172</u>	<u>\$ 513,129</u>	<u>\$ 2,982,021</u>	<u>\$ 9,385,092</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
2014	\$ 641,502,458	\$ 99,431,367	\$ 8,222,283	\$ 22,511,294	\$ 623,124	\$ 772,290,526
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

(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	
\$ 1.0621	\$ 2.30	\$ 1.85	\$ 1.0621	\$ 2.30	
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	*	

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
2014	\$ 9,329,806	\$ 8,683,981	93.08%	\$ 426,107
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

(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
\$	9,110,088	97.64%	\$	1,208,189	12.95%
	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%

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
2014	\$ 2,863,700	\$ 340,000	\$ 3,375,000	\$ 10,645,303	\$ 370,909	\$ -
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	-

n/a - not available at publication

Table 14

Business-type Activites		Total Primary Government	Percentage of Personal Income	Net Bonded Debt per Capita
General Obligation Bonds	Capital Leases			
\$ 1,880,000	\$ -	\$ 19,474,912	n/a	\$ 1,400
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

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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
2014	13,907	\$ 772,290,526	\$ 19,104,003	2.47%	\$ 1,374
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

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.

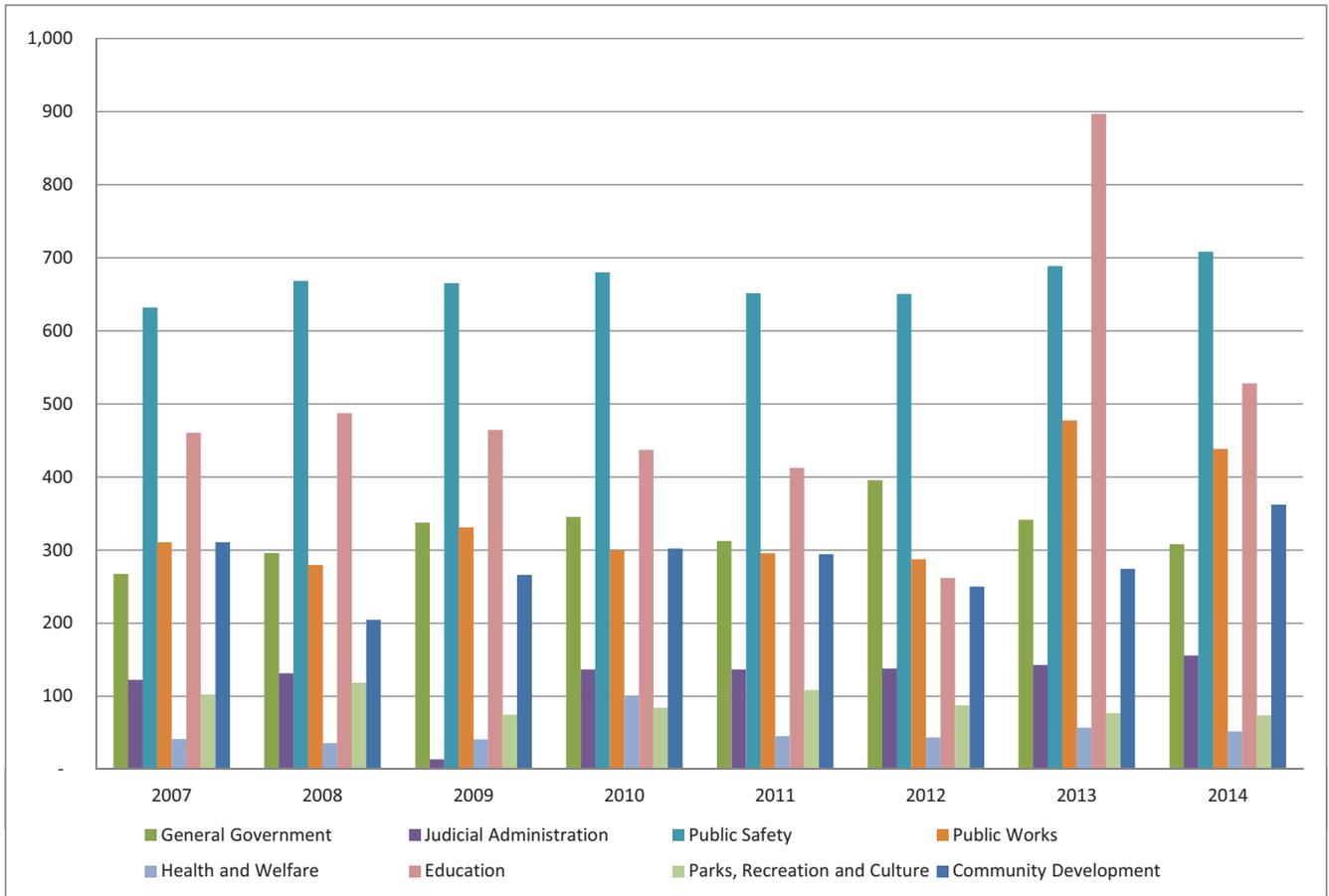
Computation of Direct and Overlapping Bonded Debt
At June 30, 2014

Direct:(1)

City of Martinsville	\$	19,104,003	100%	\$	19,104,003
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The City of Martinsville has no overlapping debt.

Expenditures Per Capita Ratio
Last Eight 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)	Unemployment Rate (4)	Personal Income In Thousands (5)
2014	13,907 \$	n/a	2,125	10.30% \$	n/a
2013	13,908	32,546	2,137	13.90% \$	2,160,176
2012	13,902	32,133	2,163	14.30%	2,139,689
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

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

<u>Function</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government	28	28	26	24	24	23	23	23	24	24
Public safety										
Police department	55	57	57	57	57	55	54	53	54	52
Fire department	29	31	31	30	30	29	29	29	29	29
Public works										
General maintenance	43	41	38	43	42	42	42	42	39	42
Landfill Operation	6	0	0	0	0	0	0	0	0	0
Refuse Collection	4	0	4	4	4	4	3	3	3	3
Engineering	4	4	4	4	3	2	2	2	2	2
Culture and recreation										
Parks and recreation	10	10	9	9	9	8	7	7	7	7
Community development										
Planning	7	8	8	6	6	5	4	3	3	3
Totals	<u>186</u>	<u>179</u>	<u>177</u>	<u>177</u>	<u>175</u>	<u>168</u>	<u>164</u>	<u>162</u>	<u>161</u>	<u>162</u>

Source: Individual city departments

CITY OF MARTINSVILLE, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years

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

Source: Individual city departments

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

Table 20

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
58	56	56	55	55	52
1,933	1,332	1,447	1,677	1,580	1,305
3,336	2,948	2,842	3,389	2,430	2,979
2	2	2	2	2	2
40	41	43	46	45	46
2,642	2,981	3,136	3,171	2,935	2,870
2,560	50	1,111	1,401	2,006	1,101
100	100	100	100	100	100
3,300	3,300	3,300	3,300	3,300	3,300
7	13	13	13	13	13
1	1	1	1	1	1
1	1	1	1	1	1
7,300	7,300	7,300	7,300	7,300	7,300
120	120	120	120	120	120
548	548	548	548	555	555
2.0 MGD	2.0 MGD	2.0 MGD	2.0 MGD	1.8 MGD	1.8 MGD
10.0 MGD	10.0 MGD	10.0 MGD	7.4 MGD	7.4 MGD	7.4 MGD
6,800	6,800	6,800	6,800	6,800	6,800
140	140	140	140	140	140
1	1	1	1	1	1
1	1	1	1	1	1
4.5 MGD	4.5 MGD	4.5 MGD	4.5 MGD	4.5 MGD	4.5 MGD
8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD	8.0 MGD
100	100	100	100	100	100
1	1	1	1	1	1
2	2	3	3	3	3
1	1	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
220	220	220	237	237	220

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Administration buildings	4	4	4	4	6	6	6	6	6	6
Vehicles	11	11	13	15	39	16	4	4	4	4
Public safety										
Police department:										
Patrol units	24	24	19	23	23	13	9	9	19	21
Other vehicles	10	10	7	6	10	12	16	16	13	10
Sheriffs department:										
Patrol units	10	10	11	8	8	8	0	10	11	12
Other vehicles	11	11	12	10	14	12	17	7	8	10
Fire department:										
Vehicles	13	13	15	14	14	15	13	12	12	13
Building inspections:										
Vehicles	3	3	3	2	2	2	2	2	2	2
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	43	43	38	39	43	62	80	80	66	64
Refuse:										
Vehicles	10	10	14	8	9	9	8	9	10	10
Sites	1	1	1	1	1	1	1	1	1	1
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	13	13	14	13	12	7	14	7	12	12
Playing Fields	9	9	9	9	9	9	9	9	9	9
Tennis courts	3	3	3	3	3	3	3	3	3	3
Community development										
Planning:										
Vehicles	1	1	1	1	2	2	2	2	2	1
Component Unit - School Board										
Education:										
Schools	6	4	4	4	4	5	5	5	5	5
School buses	33	33	33	35	37	34	35	28	28	28
Other vehicles	29	29	29	30	30	30	29	27	27	23

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, 2014, 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 November 12, 2014.

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

November 12, 2014

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, 2014. 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, 2014.

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
November 12, 2014

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT:			
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Department of Motor Vehicles:			
Highway Planning and Construction	20.205	UPC 97198	\$ 1,748,865
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	60507-50320	22,765
Occupant Protection Incentive Grants	20.602	60507-50320	3,003
National Priority Safety Programs	20.616	60507-50320	18,599
Total Department of Transportation			<u>\$ 1,793,232</u>
<u>DEPARTMENT OF DEFENSE:</u>			
<u>Pass through payments:</u>			
Military Construction, National Guard	12.400	Unknown	<u>6,694</u>
<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	\$ 38,192
Emergency Management Performance Grant	97.042	Unknown	6,686
Total Department of Homeland Security			<u>\$ 44,878</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Direct payments:</u>			
Section 8 Housing Choice Vouchers	14.871	N/A	\$ 1,995,438
Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation	14.856	N/A	112,875
<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	1,091,767
Total Department of Housing and Urban Development			<u>\$ 3,200,080</u>
<u>DEPARTMENT OF TREASURY</u>			
<u>Direct payments:</u>			
Forfeited Assets	21.000	Unknown	<u>\$ 179,744</u>
<u>DEPARTMENT OF LABOR:</u>			
<u>Pass through payments:</u>			
Governor's Employment and Training Department:			
Senior Community Service Employment Program	17.235	Unknown	<u>\$ 21,242</u>
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct payments:</u>			
Viper Grant	16.000	N/A	\$ 7,568
Equitable Sharing Program	16.922	N/A	66,870
Public Safety Partnership and Community Policing Grants	16.710	N/A	18,462
Edward Byrne Memorial State and Local Law Enforcement Discretionary Grants Program	16.580	N/A	8,357
State Criminal Alien Assistance Program	16.606	N/A	324
<u>Pass through payments:</u>			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	39001-86000	<u>35,535</u>
Total Department of Justice			<u>\$ 137,116</u>
Total Primary Government			<u><u>\$ 5,382,986</u></u>

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2014 (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:			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Child Nutrition Cluster:			
Department of Agriculture: Food Distribution	10.555	Unknown	\$ 86,174
Department of Education: National School Lunch Program	10.555	17901-40623	710,881
			<u>797,055</u>
Total national school lunch program - 10.555			\$ <u>797,055</u>
Department of Education: School Breakfast Program	10.553	17901-40591	\$ 244,349
Fresh Fruit and Vegetable Program	10.582	17901-40599	40,742
			<u>1,082,146</u>
Total Department of Agriculture			\$ <u>1,082,146</u>
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Direct payments:</u>			
Department of Education: Adult Education - National Leadership Activities	84.191	N/A	\$ 40,493
<u>Pass through payments:</u>			
Department of Education: Title I Grants to Local Educational Agencies	84.010	17901-42901	1,076,223
Special Education Cluster (IDEA): Special Education - Grants to States	84.027	17901-43071	549,429
Special Education - Preschool Grants	84.173	17901-62521	7,015
Career and Technical Education - Basic Grants to States	84.048	17901-61095	55,773
English Language Acquisition State Grants	84.365	17901-60512	8,701
Improving Teacher Quality State Grants	84.367	17901-61480	120,645
Advance Placement Program	84.330	N/A	1,080
Rural Education	84.358	N/A	32,096
Twenty-First Century Community Learning Centers	84.287	17901-60565	136,049
School Improvement Grants	84.377	17901-43040	3,492
			<u>2,030,996</u>
Total Department of Education			\$ <u>2,030,996</u>
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:</u>			
<u>Direct payments:</u>			
Science	43.001	N/A	\$ 70,057
Total Component Unit School Board			<u>\$ 3,183,199</u>
Total Expenditures of Federal Awards			<u>\$ 8,566,185</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, 2014

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, 2014. 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 - Subrecipients

The City of Martinsville, Virginia provided federal awards to subrecipients as follows:

Occupant Protection Incentive Grants	20.601	\$	17,202
National Priority Safety Programs	20.616		7,199
Forfeited assets	21.000		166,210

Note 5 - 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		\$	1,986,979
Housing Choice Fund			2,108,313
Meals tax fund			366,792
City Grants Fund			1,091,767
Electric Fund			12,010
			<hr/>
Total primary government		\$	5,565,861
Component Unit School Board:			
School Operating Fund		\$	160,710
School Grants Fund			1,933,650
School Cafeteria Fund			1,082,145
			<hr/>
Total component unit school board		\$	3,176,505
Reconcile Federal revenues to expenditures:			
Add: Federal grant funds distributed to Subrecipients			190,611
Less: Federal Tax Credit Subsidy on QSCB Bond			(366,792)
			<hr/>
Total federal expenditures per the Schedule of Expenditures of Federal Awards		\$	<u>8,566,185</u>

CITY OF MARTINSVILLE, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii
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? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings

There are no prior year findings.