

Martinsville, Virginia
A CITY WITHOUT LIMITS



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2009

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009

PREPARED BY:

Finance Department

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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CITY OF MARTINSVILLE, VIRGINIA

City Council

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

M. Gene Teague

Mark C. Stroud, Sr.

Danny Turner

School Board

James H. Johnson, Chairman
Bill R. Manning

Nancy L. Baker
Carolyn McGraw

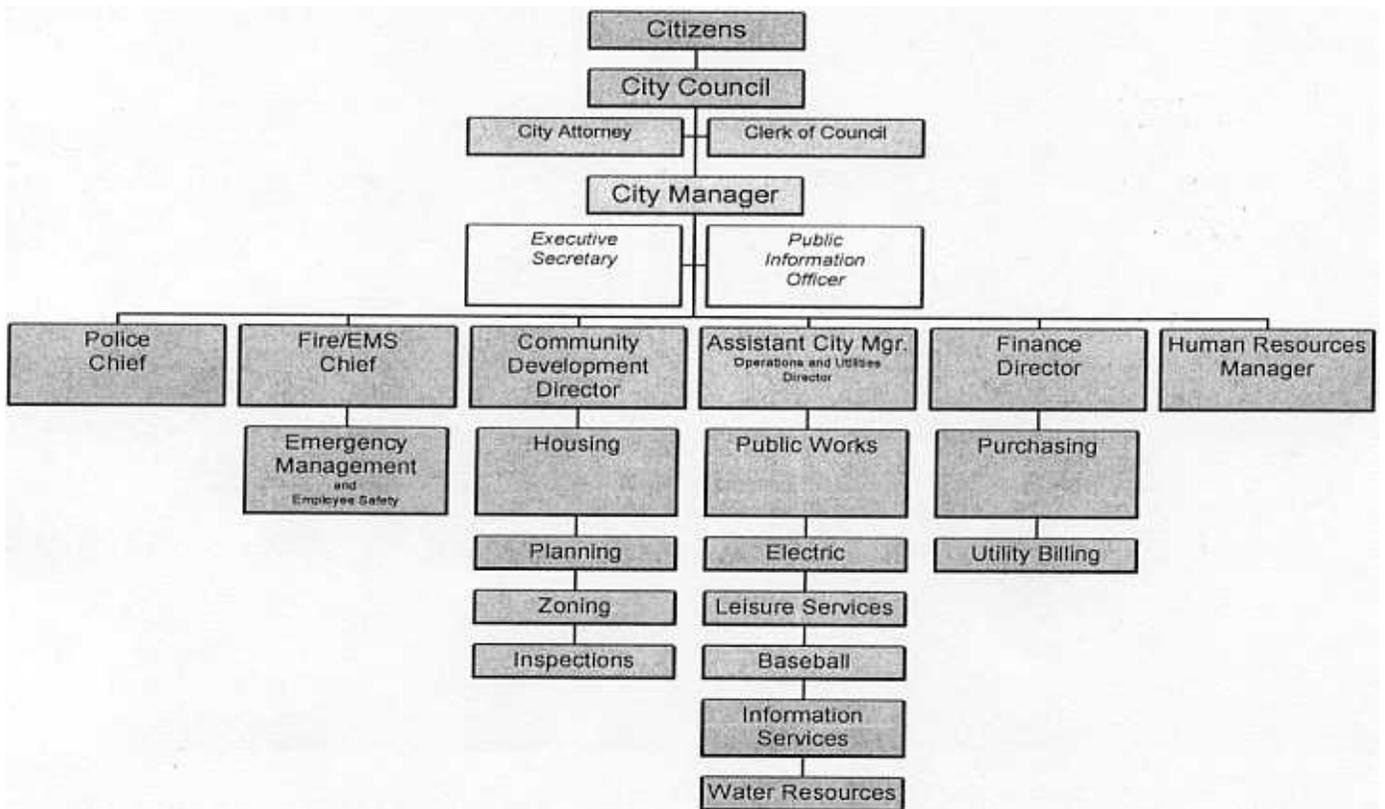
Robert Williams

Other Officials

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

City of Martinsville, Virginia

Organizational Chart



October 7, 2009

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

We are pleased to present the Comprehensive Annual Financial Report of the City of Martinsville, Virginia, (the "City"), for the fiscal year ended June 30, 2009. This report was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

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

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

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

As a recipient of federal and state financial assistance, the City is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2009 has been completed, and no material internal control weaknesses or material violations of laws and regulations have been identified.

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

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

THE REPORTING ENTITY AND ITS SERVICES

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

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

LOCAL ECONOMY

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

Based on available economic data, the local economy's growth is sluggish. The local unemployment rate was 21.4% at June 30, 2009, an increase over the rate of 11.4% at June 30, 2008. This rate is still much higher than the state and national rates of 7.3% and 9.5% respectively.

The City has responded to the economic declines by implementing a proactive economic development program and streamlining expenditures. The City has faith that the economic development program will improve the local economy, but it has been slow to deliver results. Present economic development efforts focus on diversification of jobs, by actively recruiting a variety of industry and business partners. Assessed value of taxable property has only increased by 8% over the last three years. A major indicator of business activity is the amount collected from Business Licenses. The amount collected this Fiscal Year increased by only .7% when compared to the previous fiscal year. It is obvious the City still has a long way to go to recover from the loss of local manufacturing.

MAJOR INITIATIVES

For Fiscal Year 2009: Following the goals and objectives established by the City of Martinsville Council, and with the assistance and guidance of the City Manager, City staff implemented and continued a number of specific “*programs*” designed to provide City residents with cost efficient government while enhancing their community.

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

- Shared Economic Development
- Shared Transfer Station
- Partnership with Henry County for a Rails-to-Trails program traversing parts of both localities
- Continued Agreements with Henry County to Provide Water and Treat Wastewater
- Agreement with Henry County for a Regional Public Transit Service
- Development of a Comprehensive Plan for Revitalization of the Uptown Area (Central Business District)

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

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

Rails-to-Trails Program. The City partnered with Henry County to create a paved recreational trail that starts in Henry County and ends in the City, on an abandoned railroad route. Property acquisition is complete, and the railroad rails have been removed. At 4.5 miles in length, trail paving will begin in the spring of FY10, and the project should be complete and open to the public around the end of FY10. The new trail will connect to a spur-trail, 8/10 of a mile in length, running through the City’s central business district. The trail system will add to the quality of life in the region and will attract walkers, joggers, and bicyclists.

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

Regional Transit Service – the City and County jointly launched a regional bus system that started in January 2009. This two-bus system operates from 8:00 AM – 5:30 PM, Monday through Friday. Riders pay a 50 cent fare per ride and can access the bus at stops throughout the main travel routes of the City and can even go into various parts of the County. Stops are mostly through the business district, local hospital, retail sector, and at many community organizations. Both buses were paid with funds from the CTB, and both localities pay a small portion of operational expenses. Current ridership averages 42 riders per day and is increasing sharply in a short amount of time.

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

- A) Renewed commitment from The Harvest Foundation to honor the original pledge so that the Uptown area is truly revitalized, in a sustainable manner that adds value to the region as a whole.
- B) Another grant from The Harvest Foundation to unify the community and facilitate an inclusive planning process. The end questions being, “Will there be a Sports Arena? Will there be something else instead? Will the final plan include a Sports Arena and other projects? What will add the most value to transform the Uptown area into a sustainable, thriving economic engine?”
- C) More buy-in and collaboration from the community, Planning Commission, City Council, and Department of Housing and Community Development.
- D) The creation of a comprehensive master plan for the Uptown area, to be completed by the end of December 2009. Economic restructuring strategies for the Uptown Revitalization Project include:
 - i. Business, retail, and education.
 - ii. Visual and performing arts.
 - iii. Recreation.
 - iv. Cultural heritage.
 - v. Housing and Uptown living.
- E) The formation of a CDC (Community Development Corporation) to implement parts of the Master Plan and to manage property related efforts as identified.

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

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

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

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

New Revenue Opportunities.

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

OTHER INFORMATION

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

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

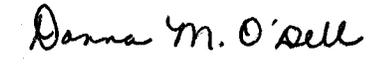
Awards. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently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

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

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

Respectfully submitted,


City Manager/
Finance Director


Assistant Director of Finance


Budget Analyst

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Martinsville
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Martinsville, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Post-Employment Benefits other than Pensions*, effective July 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2009, on our consideration of the City of Martinsville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 6, 2009

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, 2009. 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 \$32,954,240 (total net assets). Of this amount \$12,391,754 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The Governmental activities net assets were \$11,290,551 of the City's total, a decrease of \$542,210 or 4.6% in comparison with net assets of \$11,832,761 at June 30, 2008.
- Net assets of the City's various business type activities totaled \$21,663,689. This is a decrease of \$1,659,863 or 7.1% from net assets reported on June 30, 2008.
- The School Board's assets exceeded its liabilities by \$9,794,642, an increase of \$1,138,742 when compared to the amount on June 30, 2008. However, \$7,122,434 of this amount reflects the School Board's net investment in capital assets leaving \$2,672,208 in unrestricted assets available to meet ongoing obligations. This is an increase of \$516,295 or 24.0% in the School Board's unrestricted assets for the fiscal year.

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures in excess of revenues and other financing sources by \$764,159 (Exhibit 4) after making direct contributions totaling \$6,860,205 to the School Board. An additional \$2,447,900 was expended from the Meals Tax Fund used to retire School related debt. A total of \$9,308,105 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 \$4,407,833, which is a decrease of \$764,159 in comparison with the prior fiscal year.
- At the close of the current fiscal year, the unreserved fund balance for the general fund was \$2,959,209 or 9.7% of total general fund expenditures.
- The combined long-term Governmental obligations decreased \$639,313 or 4.8% during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

1. Governmental Activities – Most of the City's basic services are reported in this column to include: Police, Fire, Courts, Recreation, Social Services, Economic Development, Community Development, Capital Projects, and General Administration. Governmental Activities are supported primarily by taxes, state and federal grants, and transfers from the City's Enterprise funds (Electric, Water, Sewer, and Refuse).
2. Business-Type Activities – The City has four business-type activities: Electric, Water, Sewer, and Refuse. The City recovers all or a significant portion of the costs associated with providing these services through user fees and charges to the customers receiving these services.
3. Component Unit – The City has one component unit, the Martinsville Public Schools. While the School System is a legally separate entity, the City of Martinsville is financially accountable for the School System. Financial information for the component unit is reported separately from the financial information presented for the primary government.

Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

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

Government-wide Financial Analysis

As stated earlier in this discussion, net assets may serve as a useful indicator of a City's financial position over time. For the City in FY2009, assets exceeded liabilities by \$32,954,240 at the close of the fiscal year as presented in the Table below. This was a decrease of \$2,202,073 or 6% over the FY2008 closing amount of \$35,156,313.

City of Martinsville, Virginia
Schedule of Assets, Liabilities and Net Assets
Governmental and Business-Type Activities
Schedule of Assets, Liabilities and Net Assets
For the Years Ended June 30, 2009 and 2008

	Governmental		Business-type		Totals	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 7,997,848	\$ 8,114,626	\$ 14,221,918	\$ 13,935,696	\$ 22,219,766	\$ 22,050,322
Capital assets	<u>17,618,442</u>	<u>18,229,829</u>	<u>15,210,773</u>	<u>14,934,394</u>	<u>32,829,215</u>	<u>33,164,223</u>
Total assets	<u>\$ 25,616,290</u>	<u>\$ 26,344,455</u>	<u>\$ 29,432,691</u>	<u>\$ 28,870,090</u>	<u>\$ 55,048,981</u>	<u>\$ 55,214,545</u>
Long-term liabilities outstanding	\$ 11,603,512	\$ 12,253,217	\$ 6,684,855	\$ 4,539,716	\$ 18,288,367	\$ 16,792,933
Current liabilities	<u>2,722,227</u>	<u>2,258,477</u>	<u>1,084,147</u>	<u>1,006,822</u>	<u>3,806,374</u>	<u>3,265,299</u>
Total liabilities	<u>\$ 14,325,739</u>	<u>\$ 14,511,694</u>	<u>\$ 7,769,002</u>	<u>\$ 5,546,538</u>	<u>\$ 22,094,741</u>	<u>\$ 20,058,232</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 5,351,713	\$ 5,319,803	\$ 15,210,773	\$ 14,934,394	\$ 20,562,486	\$ 20,254,197
Unrestricted	<u>5,938,838</u>	<u>6,512,958</u>	<u>6,452,916</u>	<u>8,389,158</u>	<u>12,391,754</u>	<u>14,902,116</u>
Total net assets	<u>\$ 11,290,551</u>	<u>\$ 11,832,761</u>	<u>\$ 21,663,689</u>	<u>\$ 23,323,552</u>	<u>\$ 32,954,240</u>	<u>\$ 35,156,313</u>

At the end of FY2009, the City's investment in capital assets, net of related debt is \$20,562,486 and represents 62.4% of total net assets. These capital assets are used to deliver services to City residents and business; and accordingly, these assets are not available for future spending. Although the important and needed investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay such debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current Fiscal Year, the City's Governmental Activities investment in capital assets net of related debt is \$5,351,713.

Restricted Assets represent resources subject to external restrictions on how they may be used. The City had no restricted assets at the end of the Fiscal Year. The remaining balance of unrestricted net assets in the amount of \$12,391,754, or 37.6% of total net assets, may be used to meet the government's ongoing obligations.

Government-wide Financial Analysis (Continued)

Governmental Activities - Governmental activities decreased Martinsville City's net assets by \$542,210. The key elements of this decrease are found in exhibit 5. Among the primary reasons for this decrease is that although the retirement of debt exceeded the issuance of debt by \$643,297, the net change in fund balances decreased by \$764,159.

City of Martinsville, Virginia
Changes in Net Assets
Governmental and Business-Type Activities
For the Years Ended June 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues:						
Charges for services	\$ 962,239	\$ 878,170	\$ 25,253,773	\$ 26,183,530	\$ 26,216,012	\$ 27,061,700
Operating grants and contributions	10,054,868	10,426,431	-	-	10,054,868	10,426,431
Capital grants and contributions	138,691	647,121	-	-	138,691	647,121
General revenues:						
General property taxes	9,443,548	9,202,010	-	-	9,443,548	9,202,010
Other local taxes	7,823,526	7,847,713	-	-	7,823,526	7,847,713
Commonwealth non-categorical aid	704,371	724,000	-	-	704,371	724,000
Other general revenues	1,174,344	1,290,104	5,505	125,885	1,179,849	1,415,989
Total revenues	<u>\$ 30,301,588</u>	<u>\$ 31,015,549</u>	<u>\$ 25,259,278</u>	<u>\$ 26,309,415</u>	<u>\$ 55,560,866</u>	<u>\$ 57,324,964</u>
Expenses:						
General government administration	\$ 4,276,071	\$ 3,632,533	\$ -	\$ -	\$ 4,276,071	\$ 3,632,533
Judicial administration	2,000,159	1,907,359	-	-	2,000,159	1,907,359
Public safety	9,696,451	9,397,114	-	-	9,696,451	9,397,114
Public works	4,692,221	4,210,661	-	-	4,692,221	4,210,661
Health and welfare	582,129	502,245	-	-	582,129	502,245
Education	7,679,809	7,834,905	-	-	7,679,809	7,834,905
Parks, recreation, and cultural	1,096,975	1,740,767	-	-	1,096,975	1,740,767
Community development	3,954,587	3,005,045	-	-	3,954,587	3,005,045
Interest on long-term debt	514,838	313,246	-	-	514,838	313,246
Electric	-	-	15,660,263	14,386,289	15,660,263	14,386,289
Water	-	-	2,135,742	2,014,138	2,135,742	2,014,138
Sewer	-	-	3,105,291	2,818,953	3,105,291	2,818,953
Refuse collection/landfill	-	-	2,368,403	2,957,901	2,368,403	2,957,901
Total expenses	<u>\$ 34,493,240</u>	<u>\$ 32,543,875</u>	<u>\$ 23,269,699</u>	<u>\$ 22,177,281</u>	<u>\$ 57,762,939</u>	<u>\$ 54,721,156</u>
Increase in net assets before transfers	\$ (4,191,652)	\$ (1,528,326)	\$ 1,989,579	\$ 4,132,134	\$ (2,202,073)	\$ 2,603,808
Transfers	3,649,442	3,483,779	(3,649,442)	(3,483,779)	-	-
Increase in net assets	<u>\$ (542,210)</u>	<u>\$ 1,955,453</u>	<u>\$ (1,659,863)</u>	<u>\$ 648,355</u>	<u>\$ (2,202,073)</u>	<u>\$ 2,603,808</u>
Net assets-beginning, as restated	11,832,761	9,877,308	23,323,552	22,675,197	35,156,313	32,552,505
Net assets - ending	<u>\$ 11,290,551</u>	<u>\$ 11,832,761</u>	<u>\$ 21,663,689</u>	<u>\$ 23,323,552</u>	<u>\$ 32,954,240</u>	<u>\$ 35,156,313</u>

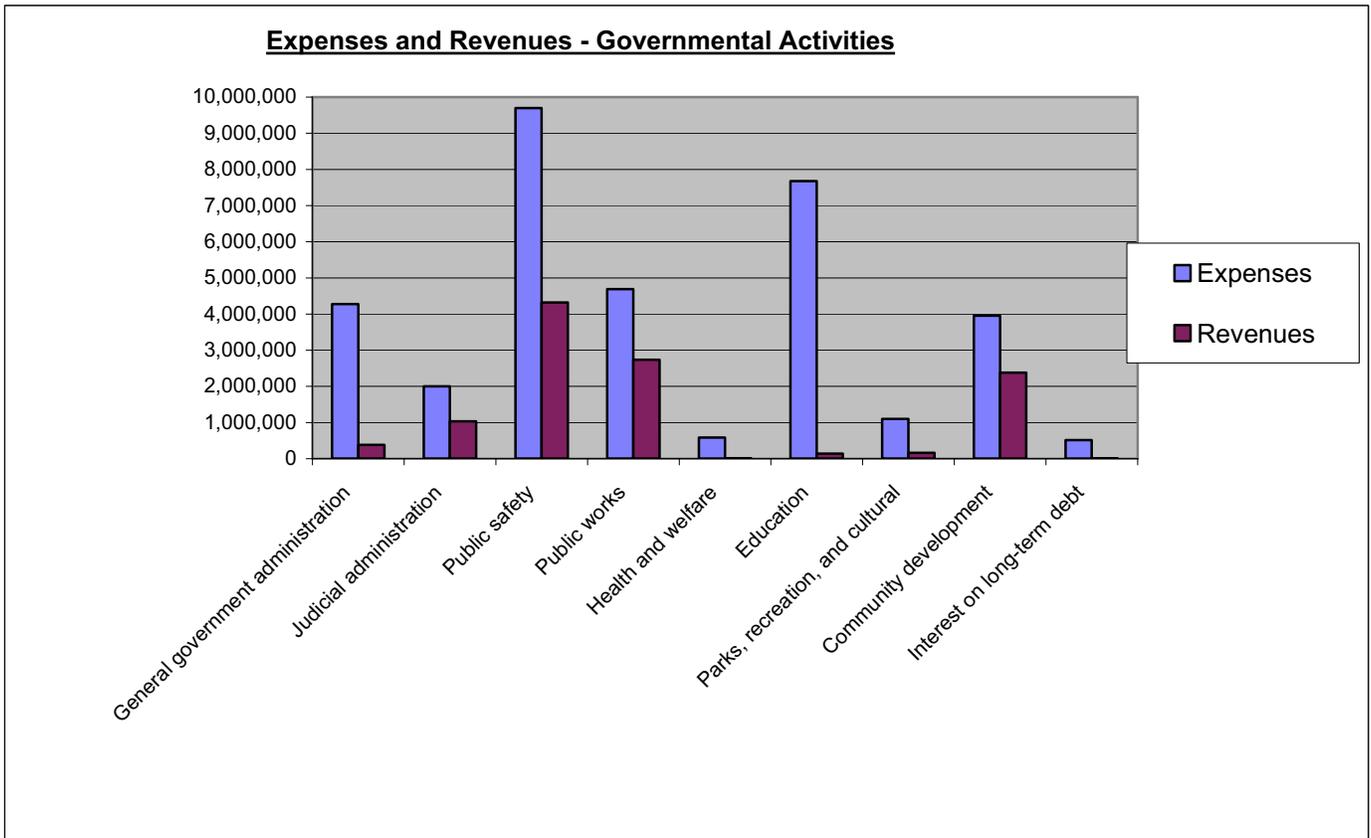
Government-wide Financial Analysis: (Continued)

Revenues from governmental activities totaled \$30,301,588 with operating grants and contributions (33.2%), general property taxes (31.2%), and other local taxes (25.8%) comprising 90.2% of the City’s revenues. Expenses for public safety (28.1%), education (22.3%), community development (11.5%), public works (13.6%) and general government administration (12.4%), account for 87.9% of total governmental expenses of \$34,493,240.

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

	Expenses	Revenues
General government administration	4,276,071	380,880
Judicial administration	2,000,159	1,033,498
Public safety	9,696,451	4,317,557
Public works	4,692,221	2,734,649
Health and welfare	582,129	12,258
Education	7,679,809	138,691
Parks, recreation, and cultural	1,096,975	159,362
Community development	3,954,587	2,378,903
Interest on long-term debt	514,838	-

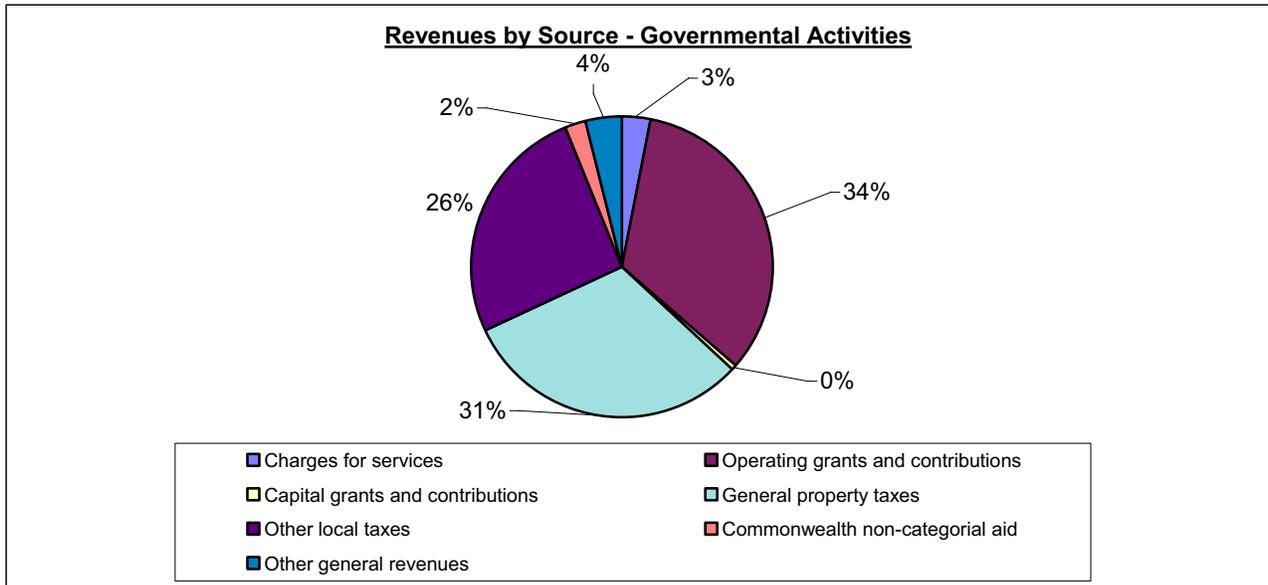
General government administration
 Judicial administration
 Public safety
 Public works
 Health and welfare
 Education
 Parks, recreation, and cultural
 Community development
 Interest on long-term debt



Government-wide Financial Analysis: (Continued)

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

Charges for services	\$ 962,239
Operating grants and contributions	10,054,868
Capital grants and contributions	138,691
General property taxes	9,443,548
Other local taxes	7,823,526
Commonwealth non-categorical aid	704,371
Other general revenues	1,174,344



Business-type Activities decreased the City’s net assets by \$1,659,863 after deducting \$3,649,442 in transfers to the General and Capital Reserve Funds. Transfers increased \$165,663 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 \$4,407,833, a decrease of \$764,159 when compared to the prior year. Ninety-seven percent (\$4,253,734) of the combined governmental fund balance is unreserved. The remaining three percent (\$154,099) of the combined fund balance is reserved to show it is not available for spending because it has been committed for future capital projects

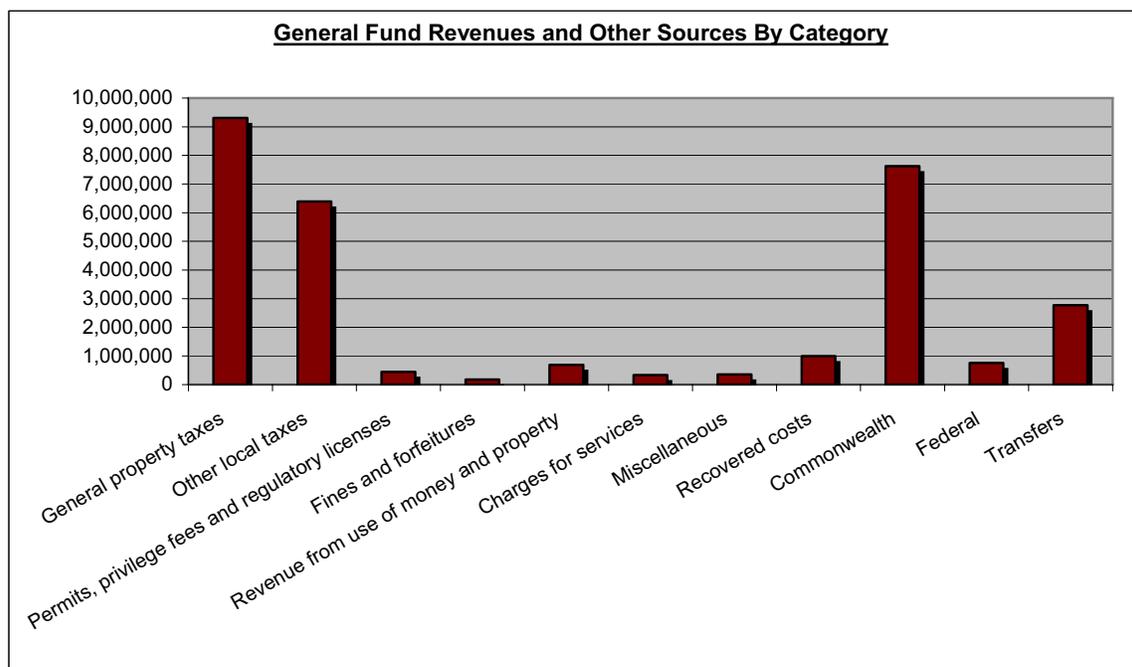
Financial Analysis of the City's Funds: (Continued)

The General Fund is the operating fund of the City. The General Fund reports a fund balance at June 30, 2009 of \$3,113,308. This is a decrease from the prior year of \$706,913. The General Fund's deficiency of revenues over expenditures in the current year (\$3,476,252) increased by \$2,273,147 in FY 09 compared to (\$1,203,105) FY08. Underlying reasons for such increases in deficiencies included no recent General Fund tax increases, normal inflation in General Fund expenditures, decreasing revenue from the Commonwealth of Virginia especially for HB 599 Funds and reimbursement for Constitutional Offices, and unbudgeted capital expenditures for Schools. The transfer amounts into the General Fund of \$2,769,339 decreased by \$18,418 compared to FY08. During FY09, transfers from the Proprietary Funds were maximized to keep tax rates as low as possible, and this decrease is nominal in the grand scheme of all such funds. There were no transfers out of the General Fund. Ninety-five percent or \$2,959,209 of the total fund balance is unreserved, a decrease of \$706,913 from June 30, 2008. As a measure of the General Funds liquidity it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9.7% of total General Fund expenditures, while total fund balance is 10.2% 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 \$29,854,099 including transfers into the fund of \$2,769,339.

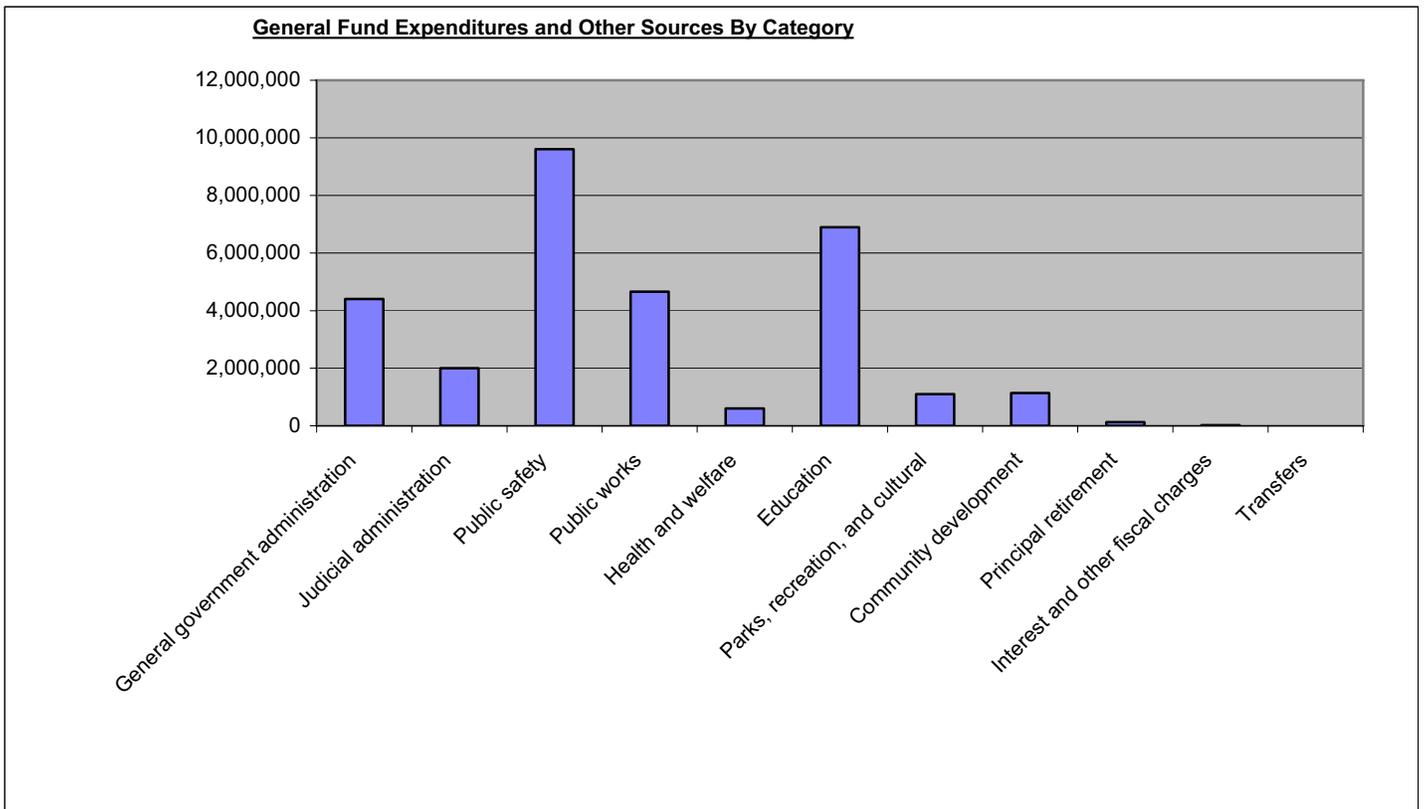
General property taxes	\$	9,305,221
Other local taxes		6,393,200
Permits, privilege fees and regulatory licenses		447,276
Fines and forfeitures		180,298
Revenue from use of money and property		690,007
Charges for services		334,665
Miscellaneous		357,797
Recovered costs		995,822
Commonwealth		7,625,604
Federal		754,870
Transfers		2,769,339



General Fund Revenues and Other Sources by Category: (Continued)

The graph below displays General Fund expenditures and other uses by category. Total expenditures and uses are \$30,561,012. There were no transfers out of the fund in the current year.

General government administration	\$ 4,404,832
Judicial administration	2,000,189
Public safety	9,608,036
Public works	4,660,390
Health and welfare	605,854
Education	6,891,809
Parks, recreation, and cultural	1,100,544
Community development	1,139,449
Principal retirement	126,391
Interest and other fiscal charges	23,518
Transfers	-



Proprietary funds – reported combined ending net assets of \$21,663,689, a decrease of \$1,659,863 in comparison with the amount reported on June 30, 2008. The Electric Fund increased \$47,436. The Refuse Fund experienced a decrease of \$982,392 and the Sewer Fund decreased \$374,329, and the Water Fund decreased \$350,578. These decreases were caused by transferring amounts from the funds greater than their Operating Income, not passing on all purchased power increases to City customers, loss of water sales revenue from the Henry County account, an on-going sludge project, and the methane recovery project at the City’s closed landfill site.

General Fund Revenues and Other Sources by Category: (Continued)

The Enterprise Funds contributed \$3,649,442 in the support of other City operations. Of that amount \$2,769,339 or 75.9% was transferred to the General Fund. The remaining \$880,103 or 24.1% 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 \$243,950 or 0.9% while expenditures increased by \$1,615,087 or 5.4%. The Revenue increases were as follows:

- \$1,758 in Fines and Forfeitures
- \$6,013 in Revenue from Use of Money & Property
- \$2,547 in Miscellaneous
- \$76,402 in Recovered costs
- \$68,567 in Intergovernmental Revenues from the Commonwealth
- \$88,663 in Intergovernmental revenues from the Federal Government

The Expenditure amendments were as follows:

- \$112,737 in decreases in General government administration
- \$94,446 in increases in Judicial administration
- \$483,398 in increases in Public Safety
- \$823,433 in increases in Public Works
- \$270,963 in increases in Education
- \$49,141 in increases in Parks, Recreation, and Cultural
- \$6,543 in increases in Community development

During the year, revenues were below budget by \$593,588 or 2.1% and expenditures were less than the budget by \$1,257,812 or 4.0%. The result was a positive variance of \$664,224 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, 2009, is \$32,829,215 (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 FY2009 were: continuation of the installation and upgrade of security systems throughout Jail facilities; EMS equipment; street sweeper; mobile radios; patrol cars; continuation of sludge disposal improvement project; utility truck; two school buses; new computer equipment; two pickup trucks; "green" SUV; upgrade and extension of fiber optic communications network; remodeling/relocation of Housing Dept.; replacement of high school stadium lighting; roof/boiler/tennis court repairs at high school; a backhoe; and a major addition to Garage facility.

Capital Asset and Debt Administration: (Continued)

**City of Martinsville, Virginia's
Capital Assets
June 30, 2009 and 2008**

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 4,379,094	\$ 4,379,094	\$ 683,624	\$ 683,624	\$ 5,062,718	\$ 5,062,718
Construction in progress	-	-	637,655	585,362	637,655	585,362
Buildings and improvements	13,968,966	14,424,641	3,384,894	3,365,116	17,353,860	17,789,757
Infrastructure	30,533,944	30,513,944	50,252,370	49,636,529	80,786,314	80,150,473
Equipment	7,645,501	7,532,560	7,647,772	6,747,013	15,293,273	14,279,573
Total	\$ 56,527,505	\$ 56,850,239	\$ 62,606,315	\$ 61,017,644	\$ 119,133,820	\$ 117,867,883
Less: accumulated depreciation	38,909,063	38,620,410	47,395,542	46,083,250	86,304,605	84,703,660
Net capital assets	\$ 17,618,442	\$ 18,229,829	\$ 15,210,773	\$ 14,934,394	\$ 32,829,215	\$ 33,164,223

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

Long-term debt – At the close of FY2009, Martinsville City had total outstanding obligations of \$19,865,491. Of this amount \$14,113,266 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 increased its long-term obligations by \$1,634,441 or 9.0%. The City's obligations decreased \$6,098,613 while \$5,266,700 in new debt was issued. The debt retired included \$4,660,571 of notes that were consolidated by the new debt issued of \$4,306,600.

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, 2009 the City's ratio of Net General Obligation Debt to Assessed Value was 2.31%. This was an increase from the previous fiscal year.

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

Economic Factors Influencing FY2010 Budgets and Tax Rates

With minimal to flat growth in the City's tax base, diminishing population, and a strategy of maintaining current levels of City services, the FY08 budget emphasized streamlining expenses, especially regarding personnel. Management's goal was to reduce personnel through attrition, evaluate all vacancies on a case-by-case basis, and reorganization of City departments when optimal. The FY08 budget called for a net reduction of eight positions in that year alone.

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

Management realizes that the trend of providing current levels of services cannot continue without increasing revenues/fees for service and/or without making changes in the manner at which local funds are expended. Over four years, the policy of reducing staffing has cut the City workforce by 30 net FTE positions.

FY2010 Opportunities and Challenges

The City faces opportunities and challenges in FY10 and near future with the most obvious pertaining to the following issues:

1. **Continued high levels of unemployment and diminishing population** - The unemployment rate for the City on June 30, 2009 was 21.4%. This was an increase of 89.5% from the previous year. The City's unemployment rate compares unfavorably to the state's average unemployment rate of 7.3% and the national average of 9.5% for the same time. The City's population and labor force have been steadily shrinking for the last several years. The disappearance of the local textile industry coupled with the downsizing of the furniture industry have caused the decrease in population and shrinking labor force. Figures provided by the Economic Development Corporation show a net loss of approximately 11,000 jobs in the past 10 years. Various estimates predict the continued loss of population.
2. **National recession** – In a recession that economists estimate to have started in the third quarter of calendar year 2007, the effects of the national economy continue to be felt in the City during FY10, and the same is predicted during FY11. Specific signs already apparent include higher unemployment as stated above, foreclosure of housing units, closure of business enterprises, limited business and industrial prospects, and the general reluctance of citizens to spend money in the community. There are some signs of a slow recovery including the recent construction of a financial institution and underway projects including a small shopping center and vehicle service shop. Management feels that the City is likely to see less local revenue in FY10 and FY11 and remain so until there is sustained improvement in GDP, employment, and consumer confidence.
3. **Continued reductions in state aid** – Due to diminishing State revenue collections, the Commonwealth of Virginia reduced its aid-to-localities in FY09 and again in FY10. The sum of such budgetary adjustments totaled over \$700,000 in various categories including HB 599 Funds (state aid for localities with police departments), reduced funding for constitutional offices, and elimination of ABC and wine taxes. State budget analysts suggest that further cuts in local aid may occur once the General Assembly convenes in January 2010. Among the area of highest concern is the fear of major reductions in education funding that the state offers localities, once the ARRA Funding (stimulus) is depleted. Management feels that the City is likely to see even less State revenue in FY11 and until approximately one year following the end of the national recession.
4. **Policy** - The City Council approves the annual budget following staff recommendations, its own analysis of the needs of the City, the City's overall financial position, economic conditions, and after careful consideration of input and comments from the citizens. This methodical process has led to the development of budget principles of not increasing taxes and fees and the continuation of offering the same levels of service that the citizens are accustomed to receiving. Instead of balancing the FY10 budget with an approximate 7% increase in the value of City real property and the associated revenue available, the City's tax rate was rolled back to \$1.018 per \$100 of assessed value (from \$1.08) in order to avoid a real estate tax increase for City taxpayers. Therefore, the FY10 budget was adopted with these variables. There was one fee for service that increased during FY10: refuse collection rates. Without this adjustment in rates the Refuse budget would barely have broken even for the year, and some level of reduction in City service would have been necessary. Management understands and emphasizes that the FY11 budget will be increasingly challenging, and fiscal priorities will need to be identified for continued financial stability.

FY2010 Opportunities and Challenges: (Continued)

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

6. **Loss of Water Revenue** – Henry County Public Service Authority was a major water customer of the City's water enterprise. After installation of a water line and partnering with another county, Henry County's decision to drastically reduce the amount of water purchased from the City reduced the City's net income in this enterprise by approximately \$400,000 per year. The FY10 budget was adversely affected by this, resulting in less revenue from Water to transfer to the City's General Fund.

7. **Uptown Revitalization Project** – In 2005, The Harvest Foundation of the Piedmont, announced a plan to revitalize the area in which included a \$6M state-of-the art Soccer Complex in Henry County and a \$14M Sports Arena/Multi-Purpose Facility in the Uptown Business District. The project moved forward with the Soccer Complex being completed in FY09 with a price tag of over \$8M. The final product not only involves soccer, but additionally focuses on an outdoor venue for multiple sports and water-related activities. In order to determine the best fit for Uptown and to achieve the end results desired, the Sports Arena facility concept was slowed, pending a comprehensive community review process that started in February 2009. After many stakeholder meetings, visits to other successful business districts, and expertise from facilitators, engineers, and consultants, the following has occurred:
 - A) Renewed commitment from The Harvest Foundation to honor the original pledge so that the Uptown area is truly revitalized, in a sustainable manner that adds value to the region as a whole.
 - B) Another grant from The Harvest Foundation to unify the community and facilitate an inclusive planning process. The end questions being, "Will there be a Sports Arena? Will there be something else instead? Will the final plan include a Sports Arena and other projects? What will add the most value to transform the Uptown area into a sustainable, thriving economic engine?"
 - C) More buy-in and collaboration from the community, Planning Commission, City Council, and Department of Housing and Community Development.

FY2010 Opportunities and Challenges: (Continued)

- D) The creation of a comprehensive master plan for the Uptown area, to be completed by the end of December 2009. Economic restructuring strategies for the Uptown Revitalization Project include:
- Business, retail, and education.
 - Visual and performing arts.
 - Recreation.
 - Cultural heritage.
 - Housing and Uptown living.
- E) The formation of a CDC (Community Development Corporation) to implement parts of the Master Plan and to manage property related efforts as identified.

All these factors were considered in preparing the City's budget for the 2010 fiscal year.

For fiscal year 2010, City Council approved a General Fund Budget of \$29,272,154. The fiscal year 2010 budget maintains the real estate tax rate at \$1.018 per \$100 of assessed value, and all other tax rates remain the same.

Requests for Information

This financial report is designed to provide a general overview of the City of Martinsville's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Martinsville, Finance Department, 55 West Church Street, Martinsville, Virginia 24114.

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 4,414,777	\$ 9,621,516	\$ 14,036,293	\$ 3,569,343
Receivables (net of allowance for uncollectibles):				
Property taxes	632,740	-	632,740	-
Accounts receivable	145,195	3,013,371	3,158,566	75,997
Inventory	2,457,717	921,469	3,379,186	-
Internal balances	(665,562)	665,562	-	-
Due from other governments	1,011,051	-	1,011,051	639,802
Prepaid items	1,930	-	1,930	-
Total Current Assets	\$ 7,997,848	\$ 14,221,918	\$ 22,219,766	\$ 4,285,142
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land	\$ 4,379,094	\$ 683,624	\$ 5,062,718	\$ 47,172
Buildings and improvements	9,219,080	1,042,334	10,261,414	6,080,088
Equipment	2,003,681	2,454,102	4,457,783	995,174
Construction in progress	-	637,655	637,655	-
Infrastructure	2,016,587	10,393,058	12,409,645	-
Total Capital Assets	\$ 17,618,442	\$ 15,210,773	\$ 32,829,215	\$ 7,122,434
Total Assets	\$ 25,616,290	\$ 29,432,691	\$ 55,048,981	\$ 11,407,576
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 1,328,808	\$ 694,112	\$ 2,022,920	\$ 1,506,003
Accrued interest payable	197,354	8,976	206,330	-
Unearned revenue	-	-	-	56,931
Current portion of long-term obligations	1,196,065	381,059	1,577,124	-
Total Current Liabilities	\$ 2,722,227	\$ 1,084,147	\$ 3,806,374	\$ 1,562,934
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations	11,603,512	6,684,855	18,288,367	50,000
Total Liabilities	\$ 14,325,739	\$ 7,769,002	\$ 22,094,741	\$ 1,612,934
NET ASSETS				
Invested in capital assets, net of related debt	\$ 5,351,713	\$ 15,210,773	\$ 20,562,486	\$ 7,122,434
Unrestricted assets	5,938,838	6,452,916	12,391,754	2,672,208
Total Net Assets	\$ 11,290,551	\$ 21,663,689	\$ 32,954,240	\$ 9,794,642
Total Liabilities and Net Assets	\$ 25,616,290	\$ 29,432,691	\$ 55,048,981	\$ 11,407,576

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

CITY OF MARTINSVILLE, VIRGINIA

Statement of Activities
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 4,276,071	\$ 113,848	\$ 267,032	\$ -
Judicial administration	2,000,159	252,763	780,735	-
Public safety	9,696,451	361,662	3,955,895	-
Public works	4,692,221	92,071	2,642,578	-
Health and welfare	582,129	-	12,258	-
Education	7,679,809	-	-	138,691
Parks, recreation, and cultural	1,096,975	141,895	17,467	-
Community development	3,954,587	-	2,378,903	-
Interest on long-term debt	514,838	-	-	-
Total governmental activities	\$ 34,493,240	\$ 962,239	\$ 10,054,868	\$ 138,691
Business-type activities:				
Electric	\$ 15,660,263	\$ 16,728,961	\$ -	\$ -
Water	2,135,742	3,216,234	-	-
Sewer	3,105,291	3,876,929	-	-
Refuse collection / landfill	2,368,403	1,431,649	-	-
Total business-type activities	\$ 23,269,699	\$ 25,253,773	\$ -	\$ -
Total primary government	\$ 57,762,939	\$ 26,216,012	\$ 10,054,868	\$ 138,691
COMPONENT UNIT:				
School Board	\$ 27,746,547	\$ 604,474	\$ 20,528,311	\$ -

General revenues:
 General property taxes
 Local sales tax
 Business license tax
 Meals tax
 Consumer utility tax
 Other local taxes
 Unrestricted revenues from use of money and property
 Miscellaneous
 Commonwealth of Virginia non-categorical aid
 City contribution to the school board, unrestricted
 Transfers
 Total general revenues and transfers
 Change in net assets
 Net assets - beginning
 Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business Type Activities	Total	School Board	Functions/Programs
PRIMARY GOVERNMENT:				
Governmental activities:				
\$ (3,895,191)	\$ -	\$ (3,895,191)	-	General government administration
(966,661)	-	(966,661)	-	Judicial administration
(5,378,894)	-	(5,378,894)	-	Public safety
(1,957,572)	-	(1,957,572)	-	Public works
(569,871)	-	(569,871)	-	Health and welfare
(7,541,118)	-	(7,541,118)	-	Education
(937,613)	-	(937,613)	-	Parks, recreation, and cultural
(1,575,684)	-	(1,575,684)	-	Community development
(514,838)	-	(514,838)	-	Interest on long-term debt
<u>\$ (23,337,441)</u>	<u>\$ -</u>	<u>\$ (23,337,441)</u>	<u>-</u>	Total government activities
Business-type activities:				
\$ -	\$ 1,068,698	\$ 1,068,698	-	Electric
-	1,080,492	1,080,492	-	Water
-	771,638	771,638	-	Sewer
-	(936,754)	(936,754)	-	Refuse collection / landfill
<u>\$ -</u>	<u>\$ 1,984,074</u>	<u>\$ 1,984,074</u>	<u>\$ -</u>	Total business-type activities
<u>\$ (23,337,441)</u>	<u>\$ 1,984,074</u>	<u>\$ (21,353,367)</u>	<u>-</u>	Total primary government
COMPONENT UNIT:				
			<u>\$ (6,613,762)</u>	School Board
General revenues:				
\$ 9,443,548	\$ -	\$ 9,443,548	\$ -	General property taxes
2,015,151	-	2,015,151	-	Local sales tax
1,849,974	-	1,849,974	-	Business license tax
1,430,326	-	1,430,326	-	Meals tax
735,458	-	735,458	-	Consumer utility tax
1,792,617	-	1,792,617	-	Other local taxes
732,669	5,505	738,174	41,701	Unrestricted revenues from use of money and property
441,675	-	441,675	229,350	Miscellaneous
704,371	-	704,371	-	Commonwealth of Virginia non-categorical aid
-	-	-	7,481,453	City contribution to the school board, unrestricted
3,649,442	(3,649,442)	-	-	Transfers
<u>\$ 22,795,231</u>	<u>\$ (3,643,937)</u>	<u>\$ 19,151,294</u>	<u>\$ 7,752,504</u>	Total general revenues and transfers
<u>\$ (542,210)</u>	<u>\$ (1,659,863)</u>	<u>\$ (2,202,073)</u>	<u>\$ 1,138,742</u>	Change in net assets
11,832,761	23,323,552	35,156,313	8,655,900	Net assets - beginning
<u>\$ 11,290,551</u>	<u>\$ 21,663,689</u>	<u>\$ 32,954,240</u>	<u>\$ 9,794,642</u>	Net assets - ending

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2009

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,781,552	\$ 1,633,225	\$ 4,414,777
Receivables (net of allowance for uncollectibles):			
Taxes, including penalties	632,740	-	632,740
Accounts	144,570	625	145,195
Inventory	622,943	-	622,943
Due from other governmental units	517,959	493,092	1,011,051
Prepaid items	1,930	-	1,930
	<u>4,701,694</u>	<u>2,126,942</u>	<u>6,828,636</u>
Total assets	<u>\$ 4,701,694</u>	<u>\$ 2,126,942</u>	<u>\$ 6,828,636</u>
LIABILITIES			
Accounts payable	\$ 1,161,953	\$ 166,855	\$ 1,328,808
Due to other funds	-	665,562	665,562
Deferred revenue	426,433	-	426,433
	<u>1,588,386</u>	<u>832,417</u>	<u>2,420,803</u>
Total liabilities	<u>\$ 1,588,386</u>	<u>\$ 832,417</u>	<u>\$ 2,420,803</u>
FUND BALANCES			
Unreserved, designated for:			
Development reserve	\$ 45,037	\$ -	\$ 45,037
Thoroughfare construction	109,062	-	109,062
Undesignated reported in:			
General fund	2,959,209	-	2,959,209
Special revenue funds	-	116,818	116,818
Capital projects	-	1,177,707	1,177,707
	<u>3,113,308</u>	<u>1,294,525</u>	<u>4,407,833</u>
Total fund balances	<u>\$ 3,113,308</u>	<u>\$ 1,294,525</u>	<u>\$ 4,407,833</u>
Total liabilities and fund balances	<u>\$ 4,701,694</u>	<u>\$ 2,126,942</u>	<u>\$ 6,828,636</u>

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

Total fund balances per exhibit 3 - Balance Sheet - Governmental Funds	4,407,833
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	17,618,442
Inventory of land and buildings held for resale	1,834,774
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(197,354)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.	426,433
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds. All liabilities--both current and long-term--are reported in the statement of net assets.	(12,799,577)
Net assets of General Government Activities	<u>\$ 11,290,551</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, 2009

	<u>General</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
General property taxes	\$ 9,305,221	\$ -	\$ 9,305,221
Other local taxes	6,393,200	1,430,326	7,823,526
Permits, privilege fees and regulatory licenses	447,276	-	447,276
Fines and forfeitures	180,298	-	180,298
Revenue from use of money and property	690,007	42,662	732,669
Charges for services	334,665	-	334,665
Miscellaneous	357,797	83,879	441,676
Recovered costs	995,822	-	995,822
Intergovernmental:			
Commonwealth	7,625,604	138,691	7,764,295
Federal	754,870	2,378,765	3,133,635
Total revenues	<u>\$ 27,084,760</u>	<u>\$ 4,074,323</u>	<u>\$ 31,159,083</u>
Expenditures:			
Current:			
General government administration	\$ 4,404,832	\$ 607,531	\$ 5,012,363
Judicial administration	2,000,189	-	2,000,189
Public safety	9,608,036	266,257	9,874,293
Public works	4,660,390	251,604	4,911,994
Health and welfare	605,854	-	605,854
Education	6,891,809	-	6,891,809
Parks, recreation, and cultural	1,100,544	8,216	1,108,760
Community development	1,139,449	2,811,343	3,950,792
Debt service:			
Principal retirement	126,391	3,533,959	3,660,350
Interest and other fiscal charges	23,518	504,815	528,333
Total expenditures	<u>\$ 30,561,012</u>	<u>\$ 7,983,725</u>	<u>\$ 38,544,737</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (3,476,252)</u>	<u>\$ (3,909,402)</u>	<u>\$ (7,385,654)</u>
Other financing sources (uses):			
Issuance of debt	\$ -	\$ 2,972,053	\$ 2,972,053
Transfers in	2,769,339	1,004,602	3,773,941
Transfers (out)	-	(124,499)	(124,499)
Total other financing sources	<u>\$ 2,769,339</u>	<u>\$ 3,852,156</u>	<u>\$ 6,621,495</u>
Changes in fund balances	<u>\$ (706,913)</u>	<u>\$ (57,246)</u>	<u>\$ (764,159)</u>
Fund balances at beginning of year	<u>3,820,221</u>	<u>1,351,771</u>	<u>5,171,992</u>
Fund balances at end of year	<u>\$ 3,113,308</u>	<u>\$ 1,294,525</u>	<u>\$ 4,407,833</u>

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2009

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds	\$	(764,159)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current year.		
Capital outlay	\$ 1,016,852	
Depreciation expense	<u>(1,006,991)</u>	9,861
Inventory of land and buildings purchased during the year and held for resale		42,201
Transfer of joint tenancy assets from Primary Government to the Component Unit		(621,248)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of the change in deferred taxes.		138,327
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Details supporting this adjustment are as follows:		
Principal retired on debt on literary fund loans	\$ 625,000	
Principal retired on general obligation bonds	2,677,971	
Principal retired on capital lease obligations	258,613	
Principal retired on VPSA subsidy bonds	98,766	
Other post employment benefits	(45,000)	
Proceeds from indebtedness	<u>(2,972,053)</u>	643,297
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in accrued leave	\$ (3,984)	
Change in interest payable	<u>13,495</u>	<u>9,511</u>
Change in net assets of governmental activities	\$	<u><u>(542,210)</u></u>

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

Proprietary Funds
Statement of Net Assets
At June 30, 2009

	<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	\$ 3,053,074	\$ -	\$ 256,195	\$ 6,312,247	\$ 9,621,516
Receivables (net of allowance for uncollectibles):	2,062,766	355,830	371,588	223,187	3,013,371
Due from other funds	-	-	-	956,327	956,327
Inventory	771,425	150,044	-	-	921,469
Total current assets	<u>\$ 5,887,265</u>	<u>\$ 505,874</u>	<u>\$ 627,783</u>	<u>\$ 7,491,761</u>	<u>\$ 14,512,683</u>
Noncurrent Assets					
Capital assets:					
Land	\$ -	\$ 658,224	\$ 25,400	\$ -	\$ 683,624
Construction in progress	637,655	-	-	-	637,655
Buildings and improvements	586,744	1,423,035	1,069,859	305,256	3,384,894
Equipment	2,710,314	1,503,781	1,902,593	1,531,084	7,647,772
Infrastructure	23,925,994	10,788,716	15,537,660	-	50,252,370
Less accumulated depreciation	<u>(21,415,010)</u>	<u>(10,073,428)</u>	<u>(14,556,108)</u>	<u>(1,350,996)</u>	<u>(47,395,542)</u>
Total capital assets (net of accumulated depreciation)	<u>\$ 6,445,697</u>	<u>\$ 4,300,328</u>	<u>\$ 3,979,404</u>	<u>\$ 485,344</u>	<u>\$ 15,210,773</u>
Total assets	<u>\$ 12,332,962</u>	<u>\$ 4,806,202</u>	<u>\$ 4,607,187</u>	<u>\$ 7,977,105</u>	<u>\$ 29,723,456</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 118,151	\$ 17,993	\$ 95,252	\$ 100,369	\$ 331,765
Customers' deposits payable	316,897	45,450	-	-	362,347
Due to other funds	-	290,765	-	-	290,765
Interest payable	262	-	1,026	7,688	8,976
Current portion of long-term obligations	<u>22,164</u>	<u>6,197</u>	<u>127,396</u>	<u>225,302</u>	<u>381,059</u>
Total current liabilities	<u>\$ 457,474</u>	<u>\$ 360,405</u>	<u>\$ 223,674</u>	<u>\$ 333,359</u>	<u>\$ 1,374,912</u>
Noncurrent liabilities:					
Noncurrent portion of long-term obligations	<u>224,479</u>	<u>55,775</u>	<u>373,234</u>	<u>6,031,367</u>	<u>6,684,855</u>
Total liabilities	<u>\$ 681,953</u>	<u>\$ 416,180</u>	<u>\$ 596,908</u>	<u>\$ 6,364,726</u>	<u>\$ 8,059,767</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 6,445,697	\$ 4,300,328	\$ 3,979,404	\$ 485,344	\$ 15,210,773
Unrestricted assets	<u>5,205,312</u>	<u>89,694</u>	<u>30,875</u>	<u>1,127,035</u>	<u>6,452,916</u>
Total Net Assets	<u>\$ 11,651,009</u>	<u>\$ 4,390,022</u>	<u>\$ 4,010,279</u>	<u>\$ 1,612,379</u>	<u>\$ 21,663,689</u>
Total Liabilities and Net Assets	<u>\$ 12,332,962</u>	<u>\$ 4,806,202</u>	<u>\$ 4,607,187</u>	<u>\$ 7,977,105</u>	<u>\$ 29,723,456</u>

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

Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009

	<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	\$ 16,671,430	\$ 3,107,238	\$ 3,845,334	\$ 1,276,954	\$ 24,900,956
Miscellaneous	<u>57,531</u>	<u>108,996</u>	<u>31,595</u>	<u>154,695</u>	<u>352,817</u>
Total operating revenues	<u>\$ 16,728,961</u>	<u>\$ 3,216,234</u>	<u>\$ 3,876,929</u>	<u>\$ 1,431,649</u>	<u>\$ 25,253,773</u>
Operating expenses:					
Personal services	\$ 666,584	\$ 664,888	\$ 818,785	\$ 148,042	\$ 2,298,299
Fringe benefits	212,192	236,826	296,124	57,404	802,546
Contractual services	178,253	11,938	16,856	214,918	421,965
Other charges	14,111,869	961,034	1,421,594	1,753,291	18,247,788
Depreciation	<u>486,170</u>	<u>261,056</u>	<u>544,762</u>	<u>94,306</u>	<u>1,386,294</u>
Total operating expenses	<u>\$ 15,655,068</u>	<u>\$ 2,135,742</u>	<u>\$ 3,098,121</u>	<u>\$ 2,267,961</u>	<u>\$ 23,156,892</u>
Operating income (loss)	<u>\$ 1,073,893</u>	<u>\$ 1,080,492</u>	<u>\$ 778,808</u>	<u>\$ (836,312)</u>	<u>\$ 2,096,881</u>
Non-operating revenues (expenses):					
Interest income	\$ 335	\$ -	\$ 3,813	\$ 1,357	\$ 5,505
Interest expense	<u>(5,195)</u>	<u>-</u>	<u>(7,170)</u>	<u>(100,442)</u>	<u>(112,807)</u>
Total non-operating revenues (expenses)	<u>\$ (4,860)</u>	<u>\$ -</u>	<u>\$ (3,357)</u>	<u>\$ (99,085)</u>	<u>\$ (107,302)</u>
Income (loss) before transfers	<u>\$ 1,069,033</u>	<u>\$ 1,080,492</u>	<u>\$ 775,451</u>	<u>\$ (935,397)</u>	<u>\$ 1,989,579</u>
Transfers:					
Transfers (out)	<u>(1,021,597)</u>	<u>(1,431,070)</u>	<u>(1,149,780)</u>	<u>(46,995)</u>	<u>(3,649,442)</u>
Changes in net assets	<u>\$ 47,436</u>	<u>\$ (350,578)</u>	<u>\$ (374,329)</u>	<u>\$ (982,392)</u>	<u>\$ (1,659,863)</u>
Net assets at beginning of year	<u>11,603,573</u>	<u>4,740,600</u>	<u>4,384,608</u>	<u>2,594,771</u>	<u>23,323,552</u>
Net assets at end of year	<u>\$ 11,651,009</u>	<u>\$ 4,390,022</u>	<u>\$ 4,010,279</u>	<u>\$ 1,612,379</u>	<u>\$ 21,663,689</u>

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

Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2009

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 16,846,146	\$ 3,340,482	\$ 3,909,620	\$ 1,426,455	\$ 25,522,703
Payments to suppliers and other operating expenses	(14,410,931)	(1,123,883)	(1,898,844)	(1,177,656)	(18,611,314)
Payments to employees (including fringe benefits)	(686,205)	(900,806)	(663,235)	(205,446)	(2,455,692)
Net cash provided by operating activities	<u>\$ 1,749,010</u>	<u>\$ 1,315,793</u>	<u>\$ 1,347,541</u>	<u>\$ 43,353</u>	<u>\$ 4,455,697</u>
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets	\$ (685,569)	\$ (228,387)	\$ (658,335)	\$ (16,380)	\$ (1,588,671)
Loss on disposal of assets	(74,000)	-	-	-	(74,000)
Issuance of general obligation bonds	190,000	-	500,000	450,000	1,140,000
Interest paid on debt	(5,195)	-	(7,170)	(100,442)	(112,807)
Net cash provided (used) by capital and related financing activities	<u>\$ (574,764)</u>	<u>\$ (228,387)</u>	<u>\$ (165,505)</u>	<u>\$ 333,178</u>	<u>\$ (635,478)</u>
Cash Flows From Noncapital Financing Activities:					
Transfers	\$ (1,021,597)	\$ (1,431,070)	\$ (1,149,780)	\$ (46,995)	\$ (3,649,442)
Issuance of general obligation bonds	-	-	-	2,389,446	2,389,446
Retirements of general obligation bonds	-	-	(60,244)	(1,982,600)	(2,042,844)
Due from other funds	-	-	-	(640,291)	(640,291)
Due to other funds	-	290,765	-	-	290,765
Net cash provided (used) by noncapital financing activities	<u>\$ (1,021,597)</u>	<u>\$ (1,140,305)</u>	<u>\$ (1,210,024)</u>	<u>\$ (280,440)</u>	<u>\$ (3,652,366)</u>
Cash Flows From Investing Activities:					
Interest income	\$ 335	\$ -	\$ 3,814	\$ 1,357	\$ 5,506
Increase in cash and cash equivalents	<u>\$ 152,984</u>	<u>\$ (52,899)</u>	<u>\$ (24,174)</u>	<u>\$ 97,448</u>	<u>\$ 173,359</u>
Cash and cash equivalents at beginning of year	<u>2,900,090</u>	<u>52,899</u>	<u>280,369</u>	<u>6,214,799</u>	<u>9,448,157</u>
Cash and cash equivalents at end of year	<u>\$ 3,053,074</u>	<u>\$ -</u>	<u>\$ 256,195</u>	<u>\$ 6,312,247</u>	<u>\$ 9,621,516</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,073,893	\$ 1,080,492	\$ 778,808	\$ (836,312)	\$ 2,096,881
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	\$ 486,170	\$ 261,056	\$ 544,762	\$ 94,306	\$ 1,386,294
Changes in operating assets and liabilities:					
(Increase) in accounts receivable	88,602	120,563	32,691	(5,194)	236,662
Increase (decrease) in:					
Accounts and interest payable	69,191	(150,911)	(20,638)	18,801	(83,557)
Accrued leave	2,571	908	11,918	771,752	787,149
Customer deposits	28,583	3,685	-	-	32,268
Total adjustments	<u>\$ 675,117</u>	<u>\$ 235,301</u>	<u>\$ 568,733</u>	<u>\$ 879,665</u>	<u>\$ 2,358,816</u>
Net cash provided by operating activities	<u>\$ 1,749,010</u>	<u>\$ 1,315,793</u>	<u>\$ 1,347,541</u>	<u>\$ 43,353</u>	<u>\$ 4,455,697</u>

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

Statement of Fiduciary Net Assets --
Agency Funds
At June 30, 2009

	Agency Funds
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 1,367,054
Due from other governmental units	<hr/> 14,925
Total assets	\$ <hr/> <hr/> 1,381,979
LIABILITIES	
Accounts payable	\$ 23,402
Amounts held for others	<hr/> 1,358,577
Total liabilities	\$ <hr/> <hr/> 1,381,979

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, 2009

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

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

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

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

A. Financial Reporting Entity

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (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, 2009.

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, 2009.

Included in the City's Financial Report

None

C. Other Related Organizations

Excluded from the City's Financial Report

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

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

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

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

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

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Generally the effect of interfund activity has been eliminated from the City's government-wide financial statements for internal service funds. Exceptions to our general rule are payments-in-lieu of taxes where the amounts are equivalent to interfund services provided and other charges between the government's proprietary funds and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The City reports the General Fund as a major governmental fund.

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

The City reports the following non-major governmental funds:

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

1. Governmental Funds: (Continued)

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

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

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

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

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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.

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

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

F. Investments

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

G. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,479,993 at June 30, 2009 is composed solely of the following:

General Fund

Allowance for uncollectible property taxes	\$ <u>448,079</u>
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Enterprise Funds

Allowance for uncollectible accounts:

Electric Fund	\$ 695,719
Water Fund	122,842
Sewer Fund	132,688
Refuse Collection/Landfill Fund	<u>80,665</u>

Total allowance for uncollectible accounts – Enterprise funds	\$ <u>1,031,914</u>
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Total allowance for uncollectible accounts	<u>\$ 1,479,993</u>
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CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

G. Receivables and payables

Real and Personal Property Tax Data:

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

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

The City bills and collects its own property taxes.

H. Inventory

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

I. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2009 was immaterial.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

I. Capital Assets: (Continued)

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

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

J. Compensated Absences

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

K. Retirement Plan

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

L. Unbilled Revenue

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Fund Equity

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

O. Net Assets

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

P. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Q. Component Unit—School board Capital Asset and Debt Presentation

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

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

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

Note 2—Stewardship, Compliance, and Accounting:

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

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

Expenditures and Appropriations

Expenditures exceed appropriations as follows for the fiscal year ended June 30, 2009:

<u>Fund/ Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess of Expenditures Over Appropriations</u>
Housing Choice Fund	\$ 1,786,297	\$ 1,988,674	\$ (202,377)
Capital Reserve Fund	1,562,108	2,689,292	(1,127,184)
Meals Tax Fund	1,413,967	2,483,090	(1,069,123)
School Cafeteria Fund	<u>1,180,987</u>	<u>1,353,388</u>	<u>(172,401)</u>
	<u>\$ 5,943,359</u>	<u>\$ 3,342,062</u>	<u>\$ (2,571,085)</u>

Fund Deficits

The following funds had deficit balances at June 30, 2009:

City Grants Fund	\$ 264,803
School Grants Fund	27,208

Note 3—Deposits:

Deposits:

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

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

The component unit school board is part of the City's pooled cash and has a net balance in the amount of \$3,569,343 at June 30, 2009.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 4—Due from Other Governments:

At June 30, 2009 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	\$ 154,090	\$ -
State Sales Tax	-	185,502
Constitutional officer reimbursements	236,336	-
Highway projects	9,013	-
Armory reimbursement	10,815	-
Miscellaneous grants	27,846	18,278
Comprehensive service	5,575	-
Communication taxes	71,923	-
Federal Government:		
School fund grants	-	436,022
Community development block grant	493,092	-
Other federal grants	2,361	-
	<u>1,011,051</u>	<u>639,802</u>
Total due from other governments	\$ <u>1,011,051</u>	\$ <u>639,802</u>

Note 5—Inventory:

At June 30, 2009 the City has inventory recorded in the various funds as follows:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Expendable supplies	\$ 622,943	\$ 921,469
Land and building inventory held for resale:		
90 Commercial residential lots held for resale	1,638,212	-
5 Commercial buildings held for resale	196,562	-
Totals	\$ <u>2,457,717</u>	\$ <u>921,469</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2009:

Primary Government:

Governmental Activities:

	Adjusted Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 4,379,094	\$ -	\$ -	\$ 4,379,094
Capital assets being depreciated:				
Buildings	\$ 5,191,067	\$ 331,333	\$ -	\$ 5,522,400
Equipment	7,532,560	665,519	552,578	7,645,501
Infrastructure	30,513,944	20,000	-	30,533,944
Jointly owned assets	9,233,574	-	787,008	8,446,566
Total capital assets being depreciated	\$ 52,471,145	\$ 1,016,852	\$ 1,339,586	\$ 52,148,411
Less accumulated depreciation for:				
Buildings	\$ 2,863,667	\$ 107,621	\$ -	\$ 2,971,288
Equipment	5,616,278	578,120	552,578	5,641,820
Infrastructure	28,362,859	154,498	-	28,517,357
Jointly owned assets	1,777,606	166,752	165,760	1,778,598
Total accumulated depreciation	\$ 38,620,410	\$ 1,006,991	\$ 718,338	\$ 38,909,063
Total capital assets being depreciated, net	\$ 13,850,735	\$ 9,861	\$ 621,248	\$ 13,239,348
Governmental capital assets, net	\$ 18,229,829	\$ 9,861	\$ 621,248	\$ 17,618,442

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government:

Business-Type Activities:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Electric Fund:				
Capital assets, not being depreciated:				
Construction in progress	\$ 585,362	\$ 52,293	\$ -	\$ 637,655
Capital assets being depreciated:				
Buildings and improvements	\$ 586,744	\$ -	\$ -	\$ 586,744
Equipment	2,569,963	214,352	74,000	2,710,315
Infrastructure	23,433,068	492,925	-	23,925,993
Total capital assets being depreciated	\$ 26,589,775	\$ 707,277	\$ 74,000	\$ 27,223,052
Less accumulated depreciation for:				
Buildings and improvements	\$ 585,842	\$ 129	\$ -	\$ 585,971
Equipment	1,914,259	131,939	74,000	1,972,198
Infrastructure	18,502,739	354,102	-	18,856,841
Total accumulated depreciation	\$ 21,002,840	\$ 486,170	\$ 74,000	\$ 21,415,010
Total capital assets being depreciated, net	\$ 5,586,935	\$ 221,107	\$ -	\$ 5,808,042
Electric fund capital assets, net	\$ 6,172,297	\$ 273,400	\$ -	\$ 6,445,697

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-Type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Water Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 658,224	\$ -	\$ -	\$ 658,224
Capital assets being depreciated:				
Buildings and improvements	\$ 1,403,257	\$ 19,779	\$ -	\$ 1,423,036
Equipment	1,315,473	86,255	-	1,401,728
Infrastructure	10,768,416	122,353	-	10,890,769
Total capital assets being depreciated	\$ 13,487,146	\$ 228,387	\$ -	\$ 13,715,533
Less accumulated depreciation for:				
Buildings and improvements	\$ 881,568	\$ 25,134	\$ -	\$ 906,702
Equipment	807,820	66,785	-	874,605
Infrastructure	8,122,985	169,137	-	8,292,122
Total accumulated depreciation	\$ 9,812,373	\$ 261,056	\$ -	\$ 10,073,429
Total capital assets being depreciated, net	\$ 3,674,773	\$ (32,669)	\$ -	\$ 3,642,104
Water fund capital assets, net	\$ 4,332,997	\$ (32,669)	\$ -	\$ 4,300,328

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-Type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</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	1,346,873	555,720	-	1,902,593
Infrastructure	15,435,045	102,616	-	15,537,661
Total capital assets being depreciated	\$ 17,851,777	\$ 658,336	\$ -	\$ 18,510,113
Less accumulated depreciation for:				
Buildings and improvements	\$ 746,313	\$ 20,031	\$ -	\$ 766,344
Equipment	1,011,022	63,292	-	1,074,314
Infrastructure	12,254,012	461,439	-	12,715,451
Total accumulated depreciation	\$ 14,011,347	\$ 544,762	\$ -	\$ 14,556,109
Total capital assets being depreciated, net	\$ 3,840,430	\$ 113,574	\$ -	\$ 3,954,004
Sewer fund capital asset, net	\$ 3,865,830	\$ 113,574	\$ -	\$ 3,979,404

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Business-Type Activities: (Continued)

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Refuse Collection/Landfill Fund:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 305,256	\$ -	\$ -	\$ 305,256
Equipment	1,514,704	16,380	-	1,531,084
	<u>1,819,960</u>	<u>16,380</u>	<u>-</u>	<u>1,836,340</u>
Total capital assets being depreciated	\$ 1,819,960	\$ 16,380	\$ -	\$ 1,836,340
Less accumulated depreciation for:				
Buildings and improvements	\$ 73,866	\$ 9,679	\$ -	\$ 83,545
Equipment	1,182,824	84,627	-	1,267,451
	<u>1,256,690</u>	<u>94,306</u>	<u>-</u>	<u>1,350,996</u>
Total accumulated depreciation	\$ 1,256,690	\$ 94,306	\$ -	\$ 1,350,996
Total capital assets being depreciated, net	\$ 563,270	\$ (77,926)	\$ -	\$ 485,344
Refuse collection/landfill fund capital assets, net	<u>\$ 563,270</u>	<u>\$ (77,926)</u>	<u>\$ -</u>	<u>\$ 485,344</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 6—Capital Assets: (Continued)

Discretely Presented Component Unit—School Board:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Discretely Presented Component Unit-School Board:				
Capital assets, not being depreciated:				
Land	\$ 47,172	\$ -	\$ -	\$ 47,172
Capital assets being depreciated:				
Buildings	\$ 7,652,342	\$ 269,853	\$ -	\$ 7,922,195
Equipment	2,170,731	193,406	-	2,364,137
Jointly owned assets	4,659,385	787,008	-	5,446,393
Total capital assets being depreciated	<u>\$ 14,482,458</u>	<u>\$ 1,250,267</u>	<u>\$ -</u>	<u>\$ 15,732,725</u>
Less accumulated depreciation for:				
Buildings	\$ 5,947,111	\$ 324,876	\$ -	\$ 6,271,987
Equipment	1,191,756	177,207	-	1,368,963
Jointly owned assets	890,776	165,760	40,023	1,016,513
Total accumulated depreciation	<u>\$ 8,029,643</u>	<u>\$ 667,843</u>	<u>\$ 40,023</u>	<u>\$ 8,657,463</u>
Total capital assets being depreciated, net	<u>\$ 6,452,815</u>	<u>\$ 582,424</u>	<u>\$ (40,023)</u>	<u>\$ 7,075,262</u>
School Board capital assets, net	<u>\$ 6,499,987</u>	<u>\$ 582,424</u>	<u>\$ (40,023)</u>	<u>\$ 7,122,434</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 6—Capital Assets: (Continued)

The following is a summary of depreciation expense for the year ended June 30, 2009:

Governmental activities:

General government	\$	96,588
Judicial administration		1,120
Public safety		310,531
Public works		358,183
Health and welfare		8,647
Education		166,752
Parks, recreation and cultural		14,362
Community development		<u>50,808</u>
Total Governmental activities	\$	<u><u>1,006,991</u></u>

Enterprise activities:

Electric	\$	486,170
Water		261,056
Sewer		544,762
Refuse collection / landfill		<u>94,306</u>
Total Enterprise activities	\$	<u><u>1,386,294</u></u>

Component Unit School Board \$ 502,083 *

- * Note accumulated depreciation transferred from the Primary Government to the Component Unit School Board on Jointly owned assets totals \$165,760 for the year ending June 30, 2009 when added to depreciation expense above totals \$667,843 accumulated depreciation previous page.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 7—Interfund Transfers/Obligations:

Interfund transfers for the year ended June 30, 2009, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 2,769,339	\$ -
Non-Major governmental funds:		
Capital reserve	1,004,602	-
Meals tax	-	124,499
Proprietary funds:		
Electric	-	1,021,597
Water	-	1,431,070
Sewer	-	1,149,780
Refuse Collection/Landfill	-	46,995
	<u> </u>	<u> </u>
Total	\$ <u>3,773,941</u>	\$ <u>3,773,941</u>

Interfund receivables and payable balances relative to working capital loans at June 30, 2009 are presented below:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Primary Government:		
City grants	\$ -	\$ 665,562
Water	-	290,765
Refuse Collection Landfill	956,327	-
	<u> </u>	<u> </u>
Total	\$ <u>956,327</u>	\$ <u>956,327</u>
Component Unit - School Board		
School Fund	\$ 128,413	\$ -
School Grants	-	128,413
	<u> </u>	<u> </u>
Total	\$ <u>128,413</u>	\$ <u>128,413</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, 2009 (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, 2009:

	<u>Amounts Payable at July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2009</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by City					
Claims, judgments and compensated absences and payable	\$ 528,864	\$ 115,045	\$ 111,061	\$ 532,848	\$ 53,285
G.O. Bonds	3,077,971	2,523,900	2,677,971	2,923,900	216,000
Other post employment benefits	-	284,000	239,000	45,000	-
Capital lease obligations	195,916	448,153	158,339	485,730	91,575
Total incurred by City	<u>\$ 3,802,751</u>	<u>\$ 3,371,098</u>	<u>\$ 3,186,371</u>	<u>\$ 3,987,478</u>	<u>\$ 360,860</u>
Incurred by School Board:					
State Literary Fund Loans Virginia Public Authority Subsidy Bonds	\$ 7,125,000	\$ -	\$ 625,000	\$ 6,500,000	\$ 625,000
Capital lease	2,045,332	-	98,766	1,946,566	105,669
	465,807	-	100,274	365,533	104,536
Total incurred by School Board	<u>\$ 9,636,139</u>	<u>\$ -</u>	<u>\$ 824,040</u>	<u>\$ 8,812,099</u>	<u>\$ 835,205</u>
Total Governmental Obligations	<u>\$ 13,438,890</u>	<u>\$ 3,371,098</u>	<u>\$ 4,010,411</u>	<u>\$ 12,799,577</u>	<u>\$ 1,196,065</u>
Enterprise Obligations:					
Compensated absences	\$ 174,454	\$ 62,410	\$ 45,358	\$ 191,506	\$ 19,151
General obligation bond	1,982,600	2,742,800	1,982,600	2,742,800	240,600
Capital lease obligations	-	500,000	60,244	439,756	121,308
Landfill closure and post- closure costs	2,635,106	1,056,746	-	3,691,852	-
Total Enterprise Obligations	<u>\$ 4,792,160</u>	<u>\$ 4,361,956</u>	<u>\$ 2,088,202</u>	<u>\$ 7,065,914</u>	<u>\$ 381,059</u>
Total Primary Government	<u>\$ 18,231,050</u>	<u>\$ 7,733,054</u>	<u>\$ 6,098,613</u>	<u>\$ 19,865,491</u>	<u>\$ 1,577,124</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, 2009 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	City Obligations				Enterprise Obligations	
	General Obligation Bonds		Capital Leases		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 216,000	\$ 68,539	\$ 200,305	\$ 13,294	\$ 240,600	\$ 54,099
2011	234,100	85,637	111,795	7,215	307,100	75,121
2012	243,500	76,442	114,948	4,063	315,400	66,729
2013	251,200	68,403	58,682	822	324,000	58,099
2014	258,500	60,120	-	-	332,900	49,222
2015	265,400	51,607	-	-	342,200	40,089
2016	271,900	42,876	-	-	197,900	32,613
2017	283,000	33,859	-	-	49,900	28,759
2018	293,400	24,492	-	-	52,000	26,697
2019	298,600	14,872	-	-	54,200	24,545
2020	308,300	5,010	-	-	56,400	22,303
2021	-	-	-	-	38,100	20,302
2022	-	-	-	-	39,800	18,549
2023	-	-	-	-	41,600	16,718
2024	-	-	-	-	43,600	14,801
2025	-	-	-	-	45,600	12,794
2026	-	-	-	-	47,700	10,694
2027	-	-	-	-	49,900	8,498
2028	-	-	-	-	52,200	6,201
2029	-	-	-	-	54,600	3,798
2030	-	-	-	-	57,100	1,285
Total	\$ <u>2,923,900</u>	\$ <u>531,857</u>	\$ <u>485,730</u>	\$ <u>25,394</u>	\$ <u>2,742,800</u>	\$ <u>591,916</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Year Ending June 30,	City School Obligations				School Board	
	State Literary Fund Loans		Virginia Public School Authority Subsidy Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 625,000	\$ 195,000	\$ 105,669	\$ 96,821	\$ 104,536	13,260
2011	625,000	176,250	108,153	90,965	108,980	8,816
2012	625,000	157,500	110,782	84,958	113,612	4,184
2013	625,000	138,750	83,972	79,778	38,405	331
2014	625,000	120,000	85,802	75,448	-	-
2015	625,000	101,250	87,727	71,023	-	-
2016	625,000	82,500	89,752	66,498	-	-
2017	625,000	63,750	91,884	61,866	-	-
2018	375,000	45,000	94,127	57,123	-	-
2019	375,000	33,750	96,488	52,262	-	-
2020	375,000	22,500	98,972	47,278	-	-
2021	375,000	11,250	101,586	42,164	-	-
2022	-	-	104,337	36,913	-	-
2023	-	-	106,821	31,929	-	-
2024	-	-	109,435	26,815	-	-
2025	-	-	112,597	21,153	-	-
2026	-	-	115,925	15,325	-	-
2027	-	-	119,426	9,324	-	-
2021	-	-	123,111	3,139	-	-
Total	\$ <u>6,500,000</u>	\$ <u>1,147,500</u>	\$ <u>1,946,566</u>	\$ <u>970,782</u>	\$ <u>365,533</u>	\$ <u>26,591</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Incurred by City:

General Obligation Bonds:

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

\$ 400,000

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

2,523,900

Total general obligation bonds \$ 2,923,900

Capital Lease Obligations:

The City has entered into several lease agreements as lessee for financing the acquisition of a street sweeper and a fire truck. The street sweeper cost \$127,000 and was acquired with lease financing. The fire truck which cost a total of \$432,428 was acquired with lease financing of \$427,575. Annual requirements to amortize City long-term lease obligations are disclosed within this note. Details of these leases are as follows:

\$427,575 obligation for the purchase of a fire truck, payable in monthly installments of \$23,397 through April 29, 2010, interest at 3.5%

\$ 91,575

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

394,155

Total capital lease obligations \$ 485,730

Compensated absences \$ 532,848

Other post employment benefits 45,000

Total Incurred by City \$ 3,987,478

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (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 January 28, 1997, due in annual principal installments of \$250,000 through 2017, interest payable annually at 3%	\$ 2,000,000
\$7,500,000 State Literary Fund Loan issued September 1, 2000, due in annual principal installments of \$375,000 through 2021; interest payable annually at 3%	<u>4,500,000</u>
Total State Literary Fund Loans	<u>\$ 6,500,000</u>

Virginia Public Authority Subsidy Bonds:

\$438,631 Virginia Public Authority Subsidy Bonds issued in 1991, due in annual installments of varying amounts through 2012; interest payable annually at varying rates	\$ 82,775
\$1,936,758 Virginia Public Authority Subsidy Bonds issued in 2007, due in annual installments of varying amounts through 2028; interest payable semi-annually at 5.10%	<u>1,863,791</u>
Total Virginia Public Authority Subsidy Bonds	<u>\$ 1,946,566</u>

Capital Lease Obligations:

\$527,694 obligation for the purchase of school buses, payable in monthly installments of \$9,816 through October 1, 2012, interest at 4.17%	\$ <u>365,533</u>
Total Incurred by the School Board	<u>\$ 8,812,099</u>
Total Governmental Obligations	<u><u>\$ 12,799,577</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Enterprise Obligations:

General Obligation Bonds:

\$1,782,700 noncapital-related general obligation refunding series 2009B bonds maturing in various annual installments of \$149,900 to \$296,100 through July 15, 2015, interest payable semi-annually at 2.50%	\$ 1,782,700
\$190,000 capital-related general obligation series 2009A bonds maturing in various annual installments of \$14,900 to \$20,000 through July 15, 2019, interest payable semi-annually at 3.25%	190,000
\$770,100 capital-related general obligation series 2009B bonds maturing in various annual installments of \$24,300 to \$57,100 through July 15, 2029, interest payable semi-annually at 4.50%	<u>770,100</u>
Total general obligation bonds	<u>\$ 2,742,800</u>
<u>Capital Lease Obligations:</u>	
\$500,000 obligation for the purchase of a street sweeper, payable in semi-annual installments of \$66,389 through December 1, 2012, interest at 2.8%	<u>\$ 439,756</u>
Compensated absences	\$ 191,506
Landfill closure and postclosure costs	<u>3,691,852</u>
Total enterprise obligations	<u>\$ 7,065,914</u>

Discretely Presented Component Unit-School Board

The following is a summary of change in long-term obligations of the Discretely Presented Component Unit-School Board for the fiscal year ended June 30, 2009:

	<u>Amounts Payable at July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2009</u>	<u>Amounts Due Within One Year</u>
Other post employment benefits	\$ <u>-</u>	\$ <u>269,000</u>	\$ <u>219,000</u>	\$ <u>50,000</u>	\$ <u>-</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (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 \$3,691,852 reported as landfill closure and postclosure care liability at June 30, 2009 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 2009. Actual closure and postclosure care costs may be higher due to inflation, changes in technology, or changes in regulations.

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

Note 10—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$483,364 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$426,433 at June 30, 2009.

Discretely Presented School Board – Deferred revenue represented unexpended NASA grant funds totaling \$56,931 at June 30, 2009.

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, 2009 (Continued)

Note 12—Litigation:

At June 30, 2009, 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; 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 14—Defined Benefit Pension Plan:

A. Plan Description

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2008AnnuRept.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The City's and School's non-professional employee contribution rates for the fiscal year ended 2009 were 14.59% and 16.56% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,168,411, \$1,340,818 and \$1,172,469, to the teacher cost-sharing pool for the fiscal years ended June 30, 2009, 2008 and 2007, respectively and these contributions represented 8.81%, 10.30% and 9.20%, respectively, of current covered payroll.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 14—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost

For fiscal year 2009, the City’s annual pension cost of \$1,972,135 was equal to the City’s required and actual contributions.

For fiscal year 2009, the City School Board’s annual pension cost for the Board’s non-professional employees was \$115,743 which was equal to the Board’s required and actual contributions.

Three-Year Trend Information for the City and School Board

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
City:			
June 30, 2009	\$ 1,972,135	100%	\$ -
June 30, 2008	1,853,584	100%	-
June 30, 2007	1,782,882	100%	-
School Board:			
Non-Professional:			
June 30, 2009	\$ 115,743	100%	\$ -
June 30, 2008	131,312	100%	-
June 30, 2007	108,228	100%	-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2008 was 20 years.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 14—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the City's plan was 80.24% funded. The actuarial accrued liability for benefits was \$77,080,208, and the actuarial value of assets was \$61,850,577, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,229,631. The covered payroll (annual payroll of active employees covered by the plan) was \$13,168,139 and ratio of the UAAL to the covered payroll was 115.66%.

As of June 30, 2008 the most recent actuarial valuation date, the City School Board's plan was 81.60% funded. The actuarial accrued liability for benefits was \$4,045,424, and the actuarial value of assets was \$3,300,965, resulting in an unfunded actuarial accrued liability (UAAL) of \$744,459. The covered payroll (annual payroll of active employees covered by the plan) was \$666,432, and ratio of UAAL to the covered payroll was 111.71%.

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

Note 15—Surety Bonds:

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 16—Other Post-Employment Benefits Program:

Primary Government:

A. Plan Description

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

B. Funding Policy

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

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	\$ 284,000
Contributions made	<u>(239,000)</u>
Increase (decrease) in net OPEB obligation	\$ 45,000
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ 45,000</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

Primary Government: (Continued)

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

Annual OPEB Cost. For 2009, the City's expected cash payment of \$239,000 is less than the OPEB cost (expense) of \$284,000 and was \$45,000 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 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 284,000	85%	\$ 45,000

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2009 is as follows:

Actuarial accrued liability (AAL)	\$ 4,069,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	4,069,000
Funded ratio (actuarial value of plan assets/AAL)	n/a
Covered payroll (active plan members)	13,168,139
UAAL as a percentage of covered payroll	30.90%

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

Primary Government: (Continued)

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

Actuarial Methods and Assumptions.

Cost Method

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

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

Discretely Presented Component Unit-School Board:

A. Plan Description

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

Discretely Presented Component Unit-School Board: (Continued)

B Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 269,000
Contributions made	<u>(219,000)</u>
Increase (decrease) in net OPEB obligation	\$ 50,000
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ 50,000</u></u>

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 269,000	81%	\$ 50,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

Discretely Presented Component Unit-School Board: (Continued)

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

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2009 is as follows:

Actuarial accrued liability (AAL)	\$ 2,527,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	2,527,000
Funded ratio (actuarial value of plan assets/AAL)	n/a
Covered payroll (active plan members)	666,432
UAAL as a percentage of covered payroll	379.18%

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

Actuarial Methods and Assumptions.

Cost Method

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

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

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Required Supplementary Information

Note to Required Supplementary Information:

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

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General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
 Year Ended June 30, 2009

	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 9,469,781	\$ 9,469,781	\$ 9,305,221	\$ (164,560)
Other local taxes	6,413,077	6,413,077	6,393,200	(19,877)
Permits, privilege fees and regulatory licenses	397,250	397,250	447,276	50,026
Fines and forfeitures	206,000	207,758	180,298	(27,460)
Revenue from use of money and property	744,940	750,953	690,007	(60,946)
Charges for services	390,348	390,348	334,665	(55,683)
Miscellaneous	339,002	341,549	357,797	16,248
Recovered costs	977,197	1,053,599	995,822	(57,777)
Intergovernmental:				
Commonwealth	8,465,503	8,534,070	7,625,604	(908,466)
Federal	31,300	119,963	754,870	634,907
Total revenues	\$ 27,434,398	\$ 27,678,348	\$ 27,084,760	\$ (593,588)
Expenditures:				
Current:				
General government administration	\$ 4,755,341	\$ 4,642,604	\$ 4,404,832	\$ 237,772
Judicial administration	1,992,505	2,086,951	2,000,189	86,762
Public safety	9,568,767	10,052,165	9,608,036	444,129
Public works	4,234,180	5,057,613	4,660,390	397,223
Health and welfare	571,956	571,956	605,854	(33,898)
Education	6,620,946	6,891,809	6,891,809	-
Parks, recreation, and cultural	1,136,522	1,185,663	1,100,544	85,119
Community development	1,173,611	1,180,154	1,139,449	40,705
Debt service:				
Principal retirement	126,072	126,072	126,391	(319)
Interest and other fiscal charges	23,837	23,837	23,518	319
Total expenditures	\$ 30,203,737	\$ 31,818,824	\$ 30,561,012	\$ 1,257,812
Excess (deficiency) of revenues over expenditures	\$ (2,769,339)	\$ (4,140,476)	\$ (3,476,252)	\$ 664,224
Other financing sources (uses):				
Transfers in	\$ 2,769,339	\$ 2,769,339	\$ 2,769,339	\$ -
Total other financing sources (uses)	\$ 2,769,339	\$ 2,769,339	\$ 2,769,339	\$ -
Changes in fund balances	\$ -	\$ (1,371,137)	\$ (706,913)	\$ 664,224
Fund balances at beginning of year	-	1,371,137	3,820,221	2,449,084
Fund balances at end of year	\$ -	\$ -	\$ 3,113,308	\$ 3,113,308

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

City

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2008	\$ 61,850,577	\$ 77,080,208	\$ 15,229,631	80.24%	\$ 13,168,139	115.66%
6/30/2007	57,135,910	71,630,549	14,494,639	79.76%	12,550,718	115.49%
6/30/2006	51,571,773	64,186,635	12,614,862	80.35%	12,224,349	103.19%

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2008	\$ 3,300,965	\$ 4,045,424	\$ 744,459	81.60%	\$ 666,432	111.71%
6/30/2007	3,116,729	4,049,835	933,106	76.96%	712,365	130.99%
6/30/2006	2,876,654	3,998,282	1,121,628	71.95%	612,693	183.07%

Required Supplementary Information
 Schedule of OPEB Funding Progress
 Last Fiscal Years

City

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Liability</u>	<u>Funded Ratio (2)/(3)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll (4)/(6)</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2008	\$ -	\$ 4,069,000	\$ 4,069,000	0.00%	\$ 13,168,139	30.90%

Discretely Presented Component Unit - School Board

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Liability</u>	<u>Funded Ratio (2)/(3)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll (4)/(6)</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2008	\$ -	\$ 2,527,000	\$ 2,527,000	0.00%	\$ 666,432	379.18%

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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, 2009

	Special Revenue Funds		Capital Projects Funds		Total
	City Grants Fund	Housing Choice Fund	Capital Reserve Fund	Meals Tax Fund	
ASSETS					
Cash and cash equivalents	\$ 67,129	\$ 382,132	\$ 451,883	\$ 732,081	\$ 1,633,225
Accounts receivable	-	-	-	625	625
Due from other governments	493,092	-	-	-	493,092
Total assets	<u>\$ 560,221</u>	<u>\$ 382,132</u>	<u>\$ 451,883</u>	<u>\$ 732,706</u>	<u>\$ 2,126,942</u>
LIABILITIES					
Accounts payable and other current liabilities	\$ 159,462	\$ 511	\$ 5,575	\$ 1,307	\$ 166,855
Due to other funds	665,562	-	-	-	665,562
Total liabilities	<u>\$ 825,024</u>	<u>\$ 511</u>	<u>\$ 5,575</u>	<u>\$ 1,307</u>	<u>\$ 832,417</u>
FUND BALANCES					
Fund balances:					
Unreserved, undesignated reported in:					
Special revenue funds (deficit)	\$ (264,803)	\$ 381,621	\$ -	\$ -	\$ 116,818
Capital projects	-	-	446,308	731,399	1,177,707
Total fund balances	<u>\$ (264,803)</u>	<u>\$ 381,621</u>	<u>\$ 446,308</u>	<u>\$ 731,399</u>	<u>\$ 1,294,525</u>
Total liabilities and fund balances	<u>\$ 560,221</u>	<u>\$ 382,132</u>	<u>\$ 451,883</u>	<u>\$ 732,706</u>	<u>\$ 2,126,942</u>

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2009

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>		<u>Total</u>
	<u>City Grants Fund</u>	<u>Housing Choice Fund</u>	<u>Capital Reserve Fund</u>	<u>Meals Tax Fund</u>	
Revenues:					
Other local taxes	\$ -	\$ -	\$ -	\$ 1,430,326	\$ 1,430,326
Revenue from use of money and property	37,607	1,637	3,418	-	42,662
Miscellaneous	51,699	26,428	5,752	-	83,879
Intergovernmental:					
Commonwealth	-	-	-	138,691	138,691
Federal	606,971	1,686,829	84,965	-	2,378,765
Total revenues	<u>\$ 696,277</u>	<u>\$ 1,714,894</u>	<u>\$ 94,135</u>	<u>\$ 1,569,017</u>	<u>\$ 4,074,323</u>
Expenditures:					
General government administration	\$ -	\$ -	\$ 572,341	\$ 35,190	\$ 607,531
Public safety	-	-	266,257	-	266,257
Public works	-	-	251,604	-	251,604
Parks, recreation, and cultural	-	-	8,216	-	8,216
Planning and community development	822,669	1,988,674	-	-	2,811,343
Debt service:					
Principal retired on debt	-	-	1,497,164	2,036,795	3,533,959
Interest and fiscal charges	-	-	93,710	411,105	504,815
Total expenditures	<u>\$ 822,669</u>	<u>\$ 1,988,674</u>	<u>\$ 2,689,292</u>	<u>\$ 2,483,090</u>	<u>\$ 7,983,725</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (126,392)</u>	<u>\$ (273,780)</u>	<u>\$ (2,595,157)</u>	<u>\$ (914,073)</u>	<u>\$ (3,909,402)</u>
Other financing sources:					
Issuance of debt	\$ -	\$ -	\$ 1,710,103	\$ 1,261,950	\$ 2,972,053
Transfers in	-	-	1,004,602	-	1,004,602
Transfers (out)	-	-	-	(124,499)	(124,499)
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,714,705</u>	<u>\$ 1,137,451</u>	<u>\$ 3,852,156</u>
Changes in fund balances	<u>\$ (126,392)</u>	<u>\$ (273,780)</u>	<u>\$ 119,548</u>	<u>\$ 223,378</u>	<u>\$ (57,246)</u>
Fund balances at beginning of year	<u>(138,411)</u>	<u>655,401</u>	<u>326,760</u>	<u>508,021</u>	<u>1,351,771</u>
Fund balances at end of year	<u><u>\$ (264,803)</u></u>	<u><u>\$ 381,621</u></u>	<u><u>\$ 446,308</u></u>	<u><u>\$ 731,399</u></u>	<u><u>\$ 1,294,525</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Nonmajor Governmental Funds
 Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
 Year Ended June 30, 2009

	Special Revenues Funds							
	City Grants Fund				Housing Choice Fund			
	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	21,425	21,425	37,607	16,182	1,000	1,000	1,637	637
Miscellaneous	-	-	51,699	51,699	5,000	5,000	26,428	21,428
Intergovernmental:								
Commonwealth	-	-	-	-	-	-	-	-
Federal	726,659	726,659	606,971	(119,688)	1,772,064	1,772,064	1,686,829	(85,235)
Total revenues	\$ 748,084	\$ 748,084	\$ 696,277	\$ (51,807)	\$ 1,778,064	\$ 1,778,064	\$ 1,714,894	\$ (63,170)
Expenditures:								
General government administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-	-	-	-
Planning and community development	764,070	876,098	822,669	(53,429)	1,778,064	1,786,297	1,988,674	(202,377)
Debt service:								
Principal retired on debt	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	\$ 764,070	\$ 876,098	\$ 822,669	\$ (53,429)	\$ 1,778,064	\$ 1,786,297	\$ 1,988,674	\$ (202,377)
Excess (deficiency) of revenues over expenditures	\$ (15,986)	\$ (128,014)	\$ (126,392)	\$ 1,622	\$ -	\$ (8,233)	\$ (273,780)	\$ (265,547)
Other financing sources (uses):								
Issuance of debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ (15,986)	\$ (128,014)	\$ (126,392)	\$ 1,622	\$ -	\$ (8,233)	\$ (273,780)	\$ (265,547)
Fund balances at beginning of year	15,986	128,014	(138,411)	(266,425)	8,233	655,401	647,168	
Fund balances at end of year	\$ -	\$ -	\$ (264,803)	\$ (264,803)	\$ -	\$ 381,621	\$ 381,621	

Capital Projects Funds							
Capital Reserve Fund				Meals Tax Fund			
Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ 1,400,000	\$ 1,400,000	\$ 1,430,326	\$ 30,326
-	-	3,418	3,418	-	-	-	-
-	5,752	5,752	-	-	-	-	-
-	-	-	-	138,466	138,466	138,691	225
81,000	85,370	84,965	(405)	-	-	-	-
\$ 81,000	\$ 91,122	\$ 94,135	\$ 3,013	\$ 1,538,466	\$ 1,538,466	\$ 1,569,017	\$ 30,551
\$ 552,690	\$ 597,455	\$ 572,341	\$ 25,114	\$ 35,190	\$ 35,190	\$ 35,190	\$ -
299,169	318,760	266,257	52,503	-	-	-	-
261,000	268,150	251,604	16,546	-	-	-	-
-	-	-	-	-	-	-	-
8,725	8,725	8,216	509	-	-	-	-
-	-	-	-	-	-	-	-
305,968	296,168	1,497,164	(1,200,996)	934,895	934,895	2,036,795	1,101,900
63,050	72,850	93,710	(20,860)	443,882	443,882	411,105	(32,777)
\$ 1,490,602	\$ 1,562,108	\$ 2,689,292	\$ (1,127,184)	\$ 1,413,967	\$ 1,413,967	\$ 2,483,090	\$ 1,069,123
\$ (1,409,602)	\$ (1,470,986)	\$ (2,595,157)	\$ (1,124,171)	\$ 124,499	\$ 124,499	\$ (914,073)	\$ (1,038,572)
\$ 405,000	\$ 448,153	\$ 1,710,103	\$ 1,261,950	\$ -	\$ -	\$ 1,261,950	\$ 1,261,950
1,004,602	1,004,602	1,004,602	-	-	-	-	-
-	-	-	-	(124,499)	(124,499)	(124,499)	-
\$ 1,409,602	\$ 1,452,755	\$ 2,714,705	\$ 1,261,950	\$ (124,499)	\$ (124,499)	\$ 1,137,451	\$ 1,261,950
\$ -	\$ (18,231)	\$ 119,548	\$ 137,779	\$ -	\$ -	\$ 223,378	\$ 223,378
-	18,231	326,760	308,529	-	-	508,021	508,021
\$ -	\$ -	\$ 446,308	\$ 446,308	\$ -	\$ -	\$ 731,399	\$ 731,399

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Combining Schedule of Fiduciary Net Assets -
 Agency Funds
 At June 30, 2009

	<u>Insurance Fund</u>	<u>Sheriff's Fund</u>	<u>West Piedmont Business Development Center Fund</u>	<u>Police Academy Fund</u>	<u>Southern Virginia Recreation Facility Authority</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 545,054	\$ 75,546	\$ 131,844	\$ 478,286	\$ 136,324	\$ 1,367,054
Due from other governmental units	-	-	-	14,925	-	14,925
Total assets	<u>\$ 545,054</u>	<u>\$ 75,546</u>	<u>\$ 131,844</u>	<u>\$ 493,211</u>	<u>\$ 136,324</u>	<u>\$ 1,381,979</u>
LIABILITIES						
Accounts payable	-	-	2,449	6,486	14,467	23,402
Amounts held for others	545,054	75,546	129,395	486,725	121,857	1,358,577
Total liabilities	<u>\$ 545,054</u>	<u>\$ 75,546</u>	<u>\$ 131,844</u>	<u>\$ 493,211</u>	<u>\$ 136,324</u>	<u>\$ 1,381,979</u>

Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2009

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Insurance Fund:				
Assets:				
Cash and cash equivalents	\$ 76,858	\$ 4,002,537	\$ 3,534,341	\$ 545,054
Total assets	<u>\$ 76,858</u>	<u>\$ 4,002,537</u>	<u>\$ 3,534,341</u>	<u>\$ 545,054</u>
Liabilities:				
Amounts held for others	\$ 76,858	\$ 4,002,537	\$ 3,534,341	\$ 545,054
Total liabilities	<u>\$ 76,858</u>	<u>\$ 4,002,537</u>	<u>\$ 3,534,341</u>	<u>\$ 545,054</u>
Sheriff Funds:				
Assets:				
Cash and cash equivalents	\$ 98,942	\$ 42,149	\$ 65,545	\$ 75,546
Total assets	<u>\$ 98,942</u>	<u>\$ 42,149</u>	<u>\$ 65,545</u>	<u>\$ 75,546</u>
Liabilities:				
Amounts held for others	\$ 98,942	\$ 42,149	\$ 65,545	\$ 75,546
Total liabilities	<u>\$ 98,942</u>	<u>\$ 42,149</u>	<u>\$ 65,545</u>	<u>\$ 75,546</u>
WPBDC Fund:				
Assets:				
Cash and cash equivalents	\$ 106,707	\$ 161,393	\$ 136,256	\$ 131,844
Total assets	<u>\$ 106,707</u>	<u>\$ 161,393</u>	<u>\$ 136,256</u>	<u>\$ 131,844</u>
Liabilities:				
Accounts payable	\$ 8,228	\$ 2,449	\$ 8,228	\$ 2,449
Amounts held for others	98,479	158,944	128,028	129,395
Total liabilities	<u>\$ 106,707</u>	<u>\$ 161,393</u>	<u>\$ 136,256</u>	<u>\$ 131,844</u>
Police Academy Fund:				
Assets:				
Cash and cash equivalents	\$ 470,412	\$ 299,812	\$ 291,938	\$ 478,286
Due from other governmental units	6,157	14,925	6,157	14,925
Total assets	<u>\$ 476,569</u>	<u>\$ 314,737</u>	<u>\$ 298,095</u>	<u>\$ 493,211</u>
Liabilities:				
Accounts payable	\$ 6,551	\$ 6,486	\$ 6,551	\$ 6,486
Amounts held for others	470,018	308,251	291,544	486,725
Total liabilities	<u>\$ 476,569</u>	<u>\$ 314,737</u>	<u>\$ 298,095</u>	<u>\$ 493,211</u>
Southern Virginia Recreation Facilities Authority:				
Assets:				
Cash and cash equivalents	\$ -	\$ 299,193	\$ 162,869	\$ 136,324
Total assets	<u>\$ -</u>	<u>\$ 299,193</u>	<u>\$ 162,869</u>	<u>\$ 136,324</u>
Liabilities:				
Accounts payable	\$ -	\$ 14,467	\$ -	\$ 14,467
Amounts held for others	-	284,726	162,869	121,857
Total liabilities	<u>\$ -</u>	<u>\$ 299,193</u>	<u>\$ 162,869</u>	<u>\$ 136,324</u>
Total -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 752,919	\$ 4,805,084	\$ 4,190,949	\$ 1,367,054
Due from other governmental units	6,157	14,925	6,157	14,925
Total assets	<u>\$ 759,076</u>	<u>\$ 4,820,009</u>	<u>\$ 4,197,106</u>	<u>\$ 1,381,979</u>
Liabilities:				
Accounts payable	\$ 14,779	\$ 23,402	\$ 14,779	\$ 23,402
Amounts held for others	744,297	4,796,607	4,182,327	1,358,577
Total liabilities	<u>\$ 759,076</u>	<u>\$ 4,820,009</u>	<u>\$ 4,197,106</u>	<u>\$ 1,381,979</u>

Discretely Presented Component Unit—School Board

Combining Balance Sheet
Discretely Presented Component Unit -- School Board
At June 30, 2009

	School Operating Fund	School Cafeteria Fund	School Grants Fund	Totals
ASSETS				
Assets:				
Cash and cash equivalents	\$ 2,993,805	\$ 575,538	\$ -	\$ 3,569,343
Accounts receivable	74,017	1,980	-	75,997
Due from other governmental units	435,489	20,310	184,003	639,802
Due from other funds	128,413	-	-	128,413
Total assets	\$ 3,631,724	\$ 597,828	\$ 184,003	\$ 4,413,555
LIABILITIES				
Accounts payable	\$ 474,688	\$ 7,938	\$ 9,874	\$ 492,500
Deferred revenue	56,931	-	-	56,931
Accrued liabilities	919,850	20,729	72,924	1,013,503
Due to other funds	-	-	128,413	128,413
Total liabilities	\$ 1,451,469	\$ 28,667	\$ 211,211	\$ 1,691,347
FUND BALANCES				
Unreserved:				
Undesignated (deficit)	\$ 2,180,255	\$ 569,161	\$ (27,208)	\$ 2,722,208
Total fund balances	\$ 2,180,255	\$ 569,161	\$ (27,208)	\$ 2,722,208
Total liabilities and fund balances	\$ 3,631,724	\$ 597,828	\$ 184,003	\$ 4,413,555

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

Total Fund balances, above 2,722,208

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. 7,122,434

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Details supporting this adjustment are as follows:

Other post employment benefits	(50,000)
Net assets of General Government Activities	\$ 9,794,642

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 Year Ended June 30, 2009

	<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	\$ 38,421	\$ 3,280	\$ -	\$ 41,701
Charges for services	117,655	486,819	-	604,474
Miscellaneous	229,350	-	-	229,350
Recovered costs	81,435	-	-	81,435
Intergovernmental:				
Local government	6,860,205	-	-	6,860,205
Commonwealth	17,263,734	22,932	-	17,286,666
Federal	949,944	964,615	1,327,086	3,241,645
	<u>25,540,744</u>	<u>1,477,646</u>	<u>1,327,086</u>	<u>28,345,476</u>
Total revenues	\$ 25,540,744	\$ 1,477,646	\$ 1,327,086	\$ 28,345,476
Expenditures:				
Current:				
Education	\$ 25,092,869	\$ 1,353,388	\$ 1,332,924	\$ 27,779,181
	<u>25,092,869</u>	<u>1,353,388</u>	<u>1,332,924</u>	<u>27,779,181</u>
Total expenditures	\$ 25,092,869	\$ 1,353,388	\$ 1,332,924	\$ 27,779,181
Changes in fund balances	\$ 447,875	\$ 124,258	\$ (5,838)	\$ 566,295
Fund balances at beginning of year	<u>1,732,380</u>	<u>444,903</u>	<u>(21,370)</u>	<u>2,155,913</u>
Fund balances at end of year	<u>\$ 2,180,255</u>	<u>\$ 569,161</u>	<u>\$ (27,208)</u>	<u>\$ 2,722,208</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, 2009

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
Revenue from use of money and property	\$ 11,000	\$ 16,059	\$ 38,421	\$ 22,362
Charges for services	35,000	110,674	117,655	6,981
Miscellaneous	-	247,511	229,350	(18,161)
Recovered costs	-	19,196	81,435	62,239
Intergovernmental:				
Local government	6,589,342	6,860,205	6,860,205	-
Commonwealth	17,077,574	17,272,369	17,263,734	(8,635)
Federal	763,041	895,522	949,944	54,422
Total revenues	\$ 24,475,957	\$ 25,421,536	\$ 25,540,744	\$ 119,208
Expenditures:				
Current:				
Education	\$ 24,475,957	\$ 25,822,178	\$ 25,092,869	\$ 729,309
Total expenditures	\$ 24,475,957	\$ 25,822,178	\$ 25,092,869	\$ 729,309
Changes in fund balances	\$ -	\$ (400,642)	\$ 447,875	\$ 848,517
Fund balances at beginning of year	-	400,642	1,732,380	1,331,738
Fund balances at end of year	\$ -	\$ -	\$ 2,180,255	\$ 2,180,255

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)
\$ 12,500	\$ 12,500	\$ 3,280	\$ (9,220)	-	-	-	-
501,000	501,000	486,819	(14,181)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
20,833	20,833	22,932	2,099	-	-	-	-
646,654	646,654	964,615	317,961	-	1,362,050	1,327,086	(34,964)
<u>\$ 1,180,987</u>	<u>\$ 1,180,987</u>	<u>\$ 1,477,646</u>	<u>\$ 296,659</u>	<u>\$ -</u>	<u>\$ 1,362,050</u>	<u>\$ 1,327,086</u>	<u>\$ (34,964)</u>
<u>\$ 1,180,987</u>	<u>\$ 1,180,987</u>	<u>\$ 1,353,388</u>	<u>\$ (172,401)</u>	<u>\$ -</u>	<u>\$ 1,362,050</u>	<u>\$ 1,332,924</u>	<u>\$ 29,126</u>
<u>\$ 1,180,987</u>	<u>\$ 1,180,987</u>	<u>\$ 1,353,388</u>	<u>\$ (172,401)</u>	<u>\$ -</u>	<u>\$ 1,362,050</u>	<u>\$ 1,332,924</u>	<u>\$ 29,126</u>
\$ -	\$ -	\$ 124,258	\$ 124,258	\$ -	\$ -	\$ (5,838)	\$ (5,838)
-	-	444,903	444,903	-	-	(21,370)	(21,370)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 569,161</u>	<u>\$ 569,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,208)</u>	<u>\$ (27,208)</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, 2009

Net changes in fund balances - total governmental funds \$ 566,295

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period computed as follows:

Capital outlays	503,282
Depreciation expense	(502,083)

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.

621,248

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Details supporting this adjustment are as follows:

Other post employment benefits	(50,000)
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Changes in net assets of governmental activities	\$ <u>1,138,742</u>
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The accompanying notes to financial statements are an integral part of this statement.

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, 2009

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
General property taxes:				
Real property taxes	\$ 7,454,500	\$ 7,454,500	\$ 7,072,127	\$ (382,373)
Personal property taxes	683,201	683,201	839,664	156,463
Business equipment	1,007,280	1,007,280	1,102,365	95,085
Machinery and tools taxes	179,800	179,800	118,188	(61,612)
Penalties	90,000	90,000	107,865	17,865
Interest and costs	55,000	55,000	65,012	10,012
Total general property taxes	<u>\$ 9,469,781</u>	<u>\$ 9,469,781</u>	<u>\$ 9,305,221</u>	<u>\$ (164,560)</u>
Other local taxes:				
Local sales and use taxes	\$ 2,196,377	\$ 2,196,377	\$ 2,015,151	\$ (181,226)
Consumers' utility taxes	765,700	765,700	735,458	(30,242)
Business license tax	1,730,000	1,730,000	1,849,974	119,974
Franchise license taxes	-	-	15,000	15,000
Motor vehicle licenses	318,000	318,000	320,831	2,831
Bank franchise tax	225,000	225,000	265,984	40,984
Taxes on recordation and wills	75,000	75,000	48,403	(26,597)
Grantor tax	15,000	15,000	13,470	(1,530)
Cigarette tax	120,000	120,000	141,790	21,790
Rental tax	3,000	3,000	2,112	(888)
Transient room tax	15,000	15,000	16,103	1,103
Telecommunications tax	950,000	950,000	968,924	18,924
Total other local taxes	<u>\$ 6,413,077</u>	<u>\$ 6,413,077</u>	<u>\$ 6,393,200</u>	<u>\$ (19,877)</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 3,000	\$ 3,000	\$ 4,987	\$ 1,987
Ambulance Fees	290,000	290,000	331,268	41,268
Other permits and licenses	104,250	104,250	111,021	6,771
Total permits, privilege fees and regulatory licenses	<u>\$ 397,250</u>	<u>\$ 397,250</u>	<u>\$ 447,276</u>	<u>\$ 50,026</u>
Fines and Forfeitures:				
Court fines and forfeitures	\$ 205,000	\$ 205,000	\$ 174,846	\$ (30,154)
Other fines and forfeitures	1,000	2,758	5,452	2,694
Total fines and forfeitures	<u>\$ 206,000</u>	<u>\$ 207,758</u>	<u>\$ 180,298</u>	<u>\$ (27,460)</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2009 (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	\$ 255,000	\$ 255,000	\$ 99,215	\$ (155,785)
Revenue from use of property	489,940	495,953	590,792	94,839
Total revenue from use of money and property	<u>\$ 744,940</u>	<u>\$ 750,953</u>	<u>\$ 690,007</u>	<u>\$ (60,946)</u>
Charges for services:				
Sheriff fees	\$ 3,624	\$ 3,624	\$ 3,625	\$ 1
Courthouse maintenance fees	12,000	12,000	12,781	781
Court appointed attorney fees	6,000	6,000	8,784	2,784
Court house security fees	20,000	20,000	26,121	6,121
Document reproduction fee	3,400	3,400	2,997	(403)
Remote access fee	3,500	3,500	3,919	419
Commonwealth attorney fees	1,700	1,700	1,526	(174)
Other public safety fees	7,750	7,750	7,279	(471)
Recreation fees	30,100	30,100	16,301	(13,799)
Prison farm labor / street maintenance	24,000	24,000	24,000	-
Martinsville mustangs fees	129,250	129,250	125,595	(3,655)
Other charges for services	149,024	149,024	101,737	(47,287)
Total charges for services	<u>\$ 390,348</u>	<u>\$ 390,348</u>	<u>\$ 334,665</u>	<u>\$ (55,683)</u>
Miscellaneous revenue:				
Payment in lieu of tax	\$ 313,002	\$ 313,002	\$ 313,002	\$ -
Other miscellaneous revenue	26,000	28,547	44,795	16,248
Total miscellaneous revenue	<u>\$ 339,002</u>	<u>\$ 341,549</u>	<u>\$ 357,797</u>	<u>\$ 16,248</u>
Recovered costs:				
Boarding of prisoners	\$ 15,000	\$ 15,000	\$ 14,903	\$ (97)
WW Moore	30,000	30,000	57,183	27,183
SSI / LIDS	3,000	3,000	1,000	(2,000)
Juvenile and domestic relations court	1,000	1,000	1,150	150
Meals tax administration	35,190	35,190	35,190	-
Street maintenance overhead	82,187	82,187	-	(82,187)
Demolition	1,000	1,000	7,097	6,097
Advance / recovered cost	50,000	118,996	150,123	31,127
Health department	3,000	3,000	8,693	5,693
Juror and witness	9,200	9,200	12,958	3,758
Pay phone commissions	-	-	4	4
Medical co-pay reimbursement	12,000	12,000	3,338	(8,662)
Flexible spending reimbursement	-	-	606	606
Treasurer	4,000	4,000	7,543	3,543
Project lifesaver	-	-	1,645	1,645

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2009 (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)				
Collection expense	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Billing expense	417,360	417,360	398,118	(19,242)
Safety expense	85,520	85,520	85,520	-
Communication	123,220	123,220	123,220	-
Central garage	30,320	30,320	33,670	3,350
Engineering	45,000	45,000	15,450	(29,550)
Senior citizens	4,000	11,406	11,334	(72)
Social services	10,000	10,000	10,008	8
Program income	1,000	1,000	996	(4)
Senior citizens - transportation	3,200	3,200	3,473	273
Fiscal agent fees - regional library	3,000	3,000	3,600	600
Total recovered costs	<u>\$ 977,197</u>	<u>\$ 1,053,599</u>	<u>\$ 995,822</u>	<u>\$ (57,777)</u>
Total revenue from local sources	<u>\$ 18,937,595</u>	<u>\$ 19,024,315</u>	<u>\$ 18,704,286</u>	<u>\$ (320,029)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
PPTRA	\$ 626,428	\$ 626,428	\$ 626,428	\$ -
Rolling stock tax	8,000	8,000	10,463	2,463
Auto rental tax	44,200	44,200	49,612	5,412
Recordation tax	18,069	18,069	17,868	(201)
Total noncategorical aid	<u>\$ 696,697</u>	<u>\$ 696,697</u>	<u>\$ 704,371</u>	<u>\$ 7,674</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 492,157	\$ 492,157	\$ 457,808	\$ (34,349)
Sheriff	1,993,939	2,037,523	1,445,132	(592,391)
Commissioner of the Revenue	122,028	122,028	118,802	(3,226)
Treasurer	108,110	108,110	99,964	(8,146)
Registrar/electoral board	51,169	51,169	48,266	(2,903)
Clerk of the circuit court	272,117	272,117	258,824	(13,293)
Total shared expenses	<u>\$ 3,039,520</u>	<u>\$ 3,083,104</u>	<u>\$ 2,428,796</u>	<u>\$ (654,308)</u>

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2009 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Senior citizens	\$ 11,000	\$ 11,000	\$ 11,355	\$ 355
Confiscated assets	-	5,179	5,185	6
Victim witness	69,677	69,677	12,821	(56,856)
House Bill # 599 - police	1,000,553	1,000,553	962,941	(37,612)
EMS two for life	9,500	11,686	11,686	-
Fire grant	37,000	41,952	41,952	-
Street maintenance	2,610,965	2,610,965	2,642,578	31,613
Jail per diem	410,000	410,000	445,682	35,682
Indoor plumbing	249,000	249,000	138	(248,862)
Other categorical aid	331,591	344,257	358,099	13,842
Total other categorical aid	<u>\$ 4,729,286</u>	<u>\$ 4,754,269</u>	<u>\$ 4,492,437</u>	<u>\$ (261,832)</u>
Total categorical aid	<u>\$ 7,768,806</u>	<u>\$ 7,837,373</u>	<u>\$ 6,921,233</u>	<u>\$ (916,140)</u>
Total revenue from the Commonwealth	<u>\$ 8,465,503</u>	<u>\$ 8,534,070</u>	<u>\$ 7,625,604</u>	<u>\$ (908,466)</u>
Revenue from the federal government:				
Categorical aid:				
Victim witness	\$ -	\$ -	\$ 51,282	\$ 51,282
Confiscated assets	-	48,108	51,534	3,426
DMV grant - police	-	14,775	14,775	-
Senior citizens	20,300	22,007	17,467	(4,540)
Bulletproof vest grant	-	3,170	3,170	-
SCAAP	-	903	903	-
Indoor plumbing	-	-	69	69
Vipe overtime grant	11,000	11,000	6,971	(4,029)
State fiscal stabilization funds	-	-	588,699	588,699
Safe neighborhood grant	-	20,000	20,000	-
Total categorical aid	<u>\$ 31,300</u>	<u>\$ 119,963</u>	<u>\$ 754,870</u>	<u>\$ 634,907</u>
Total revenue from the Federal Government	<u>\$ 31,300</u>	<u>\$ 119,963</u>	<u>\$ 754,870</u>	<u>\$ 634,907</u>
Total General Fund	<u><u>\$ 27,434,398</u></u>	<u><u>\$ 27,678,348</u></u>	<u><u>\$ 27,084,760</u></u>	<u><u>\$ (593,588)</u></u>
Special Revenue Funds:				
Grants Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 6,469	\$ 6,469	\$ 2,842	\$ (3,627)
Revenue from use of property	14,956	14,956	34,765	19,809
Total revenue from use of money and property	<u>\$ 21,425</u>	<u>\$ 21,425</u>	<u>\$ 37,607</u>	<u>\$ 16,182</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2009 (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)				
Grants Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Other miscellaneous revenue	\$ -	\$ -	\$ 51,699	\$ 51,699
Total revenue from local sources	\$ 21,425	\$ 21,425	\$ 89,306	\$ 67,881
Revenue from the federal government:				
Categorical aid:				
CDBG - West Church Corridor improvement	\$ -	\$ -	\$ 32,633	\$ 32,633
Cherry street planning grant	700,000	700,000	574,338	(125,662)
USDA rural development grant	26,659	26,659	-	(26,659)
Total revenue from the Federal Government	\$ 726,659	\$ 726,659	\$ 606,971	\$ (119,688)
Total Grants Fund	\$ 748,084	\$ 748,084	\$ 696,277	\$ (51,807)
Housing Choice Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,000	\$ 1,000	\$ 1,637	\$ 637
Miscellaneous revenue:				
Miscellaneous funds	5,000	5,000	26,428	21,428
Total revenue from local sources	\$ 6,000	\$ 6,000	\$ 28,065	\$ 22,065
Revenue from the federal government:				
Categorical aid:				
Housing assistance	\$ 1,363,872	\$ 1,363,872	\$ 1,426,746	\$ 62,874
Moderate rehab. assistance	212,184	212,184	37,077	(175,107)
Other federal assistance	196,008	196,008	223,006	26,998
Total revenue from the Federal Government	\$ 1,772,064	\$ 1,772,064	\$ 1,686,829	\$ (85,235)
Total Housing Choice Fund	\$ 1,778,064	\$ 1,778,064	\$ 1,714,894	\$ (63,170)
Total Special Revenue Funds	\$ 2,526,148	\$ 2,526,148	\$ 2,411,171	\$ (114,977)
Capital Projects Funds:				
Capital Reserve Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 3,418	\$ 3,418
Miscellaneous revenue:				
Miscellaneous	-	5,752	5,752	-
Total revenue from local sources	\$ -	\$ 5,752	\$ 9,170	\$ 3,418

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2009 (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: (Continued)				
Capital Reserve Fund:				
Revenue from the federal government:				
Categorical aid:				
Tech grant	\$ 81,000	\$ 81,000	\$ 80,595	\$ (405)
Bulletproof grant	-	4,370	4,370	-
Total revenue from the Federal Government	<u>\$ 81,000</u>	<u>\$ 85,370</u>	<u>\$ 84,965</u>	<u>\$ (405)</u>
Total Capital Reserve Fund	<u><u>\$ 81,000</u></u>	<u><u>\$ 91,122</u></u>	<u><u>\$ 94,135</u></u>	<u><u>\$ 3,013</u></u>
Meals Tax Fund:				
Revenue from local sources:				
Other local taxes:				
Meals taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,430,326	\$ 30,326
Revenue from the Commonwealth:				
Categorical aid:				
School construction	\$ 138,466	\$ 138,466	\$ 138,691	\$ 225
Total revenue from the Commonwealth	<u>138,466</u>	<u>138,466</u>	<u>138,691</u>	<u>225</u>
Total Meals Tax Fund	<u><u>\$ 1,538,466</u></u>	<u><u>\$ 1,538,466</u></u>	<u><u>\$ 1,569,017</u></u>	<u><u>\$ 30,551</u></u>
Total Capital Projects Funds	<u><u>\$ 1,619,466</u></u>	<u><u>\$ 1,629,588</u></u>	<u><u>\$ 1,663,152</u></u>	<u><u>\$ 33,564</u></u>
Grand Total Revenues -- Primary Government	<u><u>\$ 31,580,012</u></u>	<u><u>\$ 31,834,084</u></u>	<u><u>\$ 31,159,083</u></u>	<u><u>\$ (675,001)</u></u>
Component Unit-School Board:				
Governmental Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 11,000	\$ 16,059	\$ 38,421	\$ 22,362
Charges for services:				
Tuition and other charges for services	35,000	110,674	117,655	6,981
Miscellaneous revenue:				
Miscellaneous revenue	-	247,511	229,350	(18,161)
Recovered costs:				
Recovered costs	-	19,196	81,435	62,239
Total revenue from local sources	<u>\$ 46,000</u>	<u>\$ 393,440</u>	<u>\$ 466,861</u>	<u>\$ 73,421</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2009 (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 revenue:				
Revenues from local governments:				
Contribution from City of Martinsville, Virginia	\$ 6,589,342	\$ 6,860,205	\$ 6,860,205	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,703,268	\$ 2,703,268	\$ 2,470,408	\$ (232,860)
Basic school aid	8,659,129	8,659,129	8,966,076	306,947
Share of fringe benefits - Fica	492,740	492,740	499,834	7,094
Share of fringe benefits - VRS	638,323	638,323	647,512	9,189
Lottery proceeds	444,698	444,698	376,068	(68,630)
Regional tuition special education	146,049	146,049	112,235	(33,814)
At risk 4 year olds	218,578	218,578	283,583	65,005
Vocational SOQ payments	266,901	266,901	270,745	3,844
Special education - basic	916,422	916,422	929,615	13,193
At risk students	481,828	481,828	488,626	6,798
Remedial education	378,887	378,887	384,342	5,455
Reduced K-3	568,773	568,773	573,522	4,749
Textbooks	221,211	221,211	224,395	3,184
Technology	154,000	154,000	154,000	-
Other state funds	786,767	981,562	882,773	(98,789)
Total revenue from the Commonwealth	\$ 17,077,574	\$ 17,272,369	\$ 17,263,734	\$ (8,635)
Revenue from the federal government:				
Categorical aid:				
Vocational education - Carl Perkins	\$ 62,066	\$ 62,066	\$ 64,368	\$ 2,302
Special education - pre-school incentive	7,162	6,809	-	(6,809)
Special education - flow through	600,175	611,089	485,955	(125,134)
ROTC instructors	50,360	50,360	53,385	3,025
Project promise	-	-	13,119	13,119
NASA program	-	28,000	98,480	70,480
21st century grant	-	84,570	155,717	71,147
Workforce investment act	43,278	43,278	27,725	(15,553)
Other federal categorical aid	-	9,350	51,195	41,845
Total categorical aid	\$ 763,041	\$ 895,522	\$ 949,944	\$ 54,422
Total revenue from the federal government	\$ 763,041	\$ 895,522	\$ 949,944	\$ 54,422
Total School Operating Fund	\$ 24,475,957	\$ 25,421,536	\$ 25,540,744	\$ 119,208

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2009 (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	\$ 12,500	\$ 12,500	\$ 3,280	\$ (9,220)
Charges for services:				
Cafeteria sales	\$ 501,000	\$ 501,000	\$ 486,819	\$ (14,181)
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 20,833	\$ 20,833	\$ 22,932	\$ 2,099
Revenue from the federal government:				
Categorical aid:				
School food	\$ 646,654	\$ 646,654	\$ 964,615	\$ 317,961
 Total School Cafeteria Fund	\$ 1,180,987	\$ 1,180,987	\$ 1,477,646	\$ 296,659
School Grants Fund:				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ -	\$ 863,642	\$ 843,580	\$ (20,062)
Title II - teacher quality	-	182,057	167,450	(14,607)
Title V - innovative program	-	-	6,449	6,449
Title VI - rural education	-	60,959	85,235	24,276
Drug free schools	-	229,644	201,543	(28,101)
Language acquisition state grant	-	25,748	22,829	(2,919)
Total revenue from the federal government	\$ -	\$ 1,362,050	\$ 1,327,086	\$ (34,964)
 Total School Grants Fund	\$ -	\$ 1,362,050	\$ 1,327,086	\$ (34,964)
Grand Total Revenues--Component Unit - School Board	\$ 25,656,944	\$ 27,964,573	\$ 28,345,476	\$ 380,903

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2009

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	\$ 42,547	\$ 43,030	\$ 36,278	\$ 6,752
General and Financial Administration:				
Clerk of council	\$ 1,305	\$ 1,330	\$ 1,585	\$ (255)
City attorney	106,545	106,545	84,638	21,907
City manager's office	205,434	210,535	207,478	3,057
Assistant city manager	59,735	64,033	62,658	1,375
Legal services	15,000	15,000	22,790	(7,790)
Human resources	163,117	168,976	166,421	2,555
Employment services	293,064	293,064	253,850	39,214
Communications	123,219	139,080	127,441	11,639
Commissioner of the Revenue	393,885	396,911	390,553	6,358
Assessor	6,800	6,800	5,759	1,041
Treasurer	281,874	283,074	272,284	10,790
Finance director	9,884	10,020	8,061	1,959
Accounting	303,421	303,421	263,451	39,970
Utility billing	417,860	420,562	398,111	22,451
Information services	327,285	334,634	321,524	13,110
Central garage	498,841	513,494	508,357	5,137
Purchasing	238,108	244,694	233,274	11,420
Risk management	184,000	184,000	241,004	(57,004)
General expenses	946,446	759,650	670,148	89,502
Total general and financial administration	\$ 4,575,823	\$ 4,455,823	\$ 4,239,387	\$ 216,436
Board of Elections:				
Electoral board and officials	\$ 28,227	\$ 32,150	\$ 24,281	\$ 7,869
Registrar	108,744	111,601	104,886	6,715
Total board of elections	\$ 136,971	\$ 143,751	\$ 129,167	\$ 14,584
Total general government administration	\$ 4,755,341	\$ 4,642,604	\$ 4,404,832	\$ 237,772
Judicial Administration:				
Courts:				
Circuit court	\$ 87,063	\$ 88,863	\$ 76,188	\$ 12,675
General district court	31,450	31,450	29,243	2,207
Juvenile and domestic relations court	7,830	7,830	5,647	2,183
Clerk of the circuit court	368,651	435,783	422,690	13,093
Sheriff - courts	814,909	818,400	808,657	9,743
Total Courts	\$ 1,309,903	\$ 1,382,326	\$ 1,342,425	\$ 39,901

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2009 (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	\$ 612,957	\$ 634,680	\$ 589,522	\$ 45,158
Victim witness program	69,645	69,945	68,242	1,703
Total Commonwealth attorney	<u>\$ 682,602</u>	<u>\$ 704,625</u>	<u>\$ 657,764</u>	<u>\$ 46,861</u>
Total judicial administration	<u>\$ 1,992,505</u>	<u>\$ 2,086,951</u>	<u>\$ 2,000,189</u>	<u>\$ 86,762</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	\$ 3,998,322	\$ 4,282,817	\$ 4,141,019	\$ 141,798
Transportation safety commission	1,500	1,500	501	999
E-911 communication center	317,057	317,057	287,977	29,080
Total law enforcement and traffic control	<u>\$ 4,316,879</u>	<u>\$ 4,601,374</u>	<u>\$ 4,429,497</u>	<u>\$ 171,877</u>
Fire and Rescue Services:				
Fire services	\$ 1,877,861	\$ 2,011,595	\$ 1,908,027	\$ 103,568
Emergency medical services	164,848	193,780	143,640	50,140
Total fire and rescue services	<u>\$ 2,042,709</u>	<u>\$ 2,205,375</u>	<u>\$ 2,051,667</u>	<u>\$ 153,708</u>
Correction and Detention:				
Sheriff -corrections	\$ 2,388,340	\$ 2,421,795	\$ 2,417,499	\$ 4,296
Sheriff -jail annex	182,825	182,825	170,464	12,361
Probation office	289,880	289,880	277,572	12,308
Total correction and detention	<u>\$ 2,861,045</u>	<u>\$ 2,894,500</u>	<u>\$ 2,865,535</u>	<u>\$ 28,965</u>
Inspections:				
Building and other	\$ 262,302	\$ 262,302	\$ 177,279	\$ 85,023
Other Protection:				
Safety	\$ 85,832	\$ 88,614	\$ 84,058	\$ 4,556
Total other protection	<u>\$ 85,832</u>	<u>\$ 88,614</u>	<u>\$ 84,058</u>	<u>\$ 4,556</u>
Total public safety	<u>\$ 9,568,767</u>	<u>\$ 10,052,165</u>	<u>\$ 9,608,036</u>	<u>\$ 444,129</u>
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Director of public works	\$ 91,650	\$ 95,269	\$ 95,503	\$ (234)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2009 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Highways, streets, bridges and sidewalks:				
Engineering	\$ 164,240	\$ 169,703	\$ 175,404	\$ (5,701)
Street maintenance	1,518,468	1,712,774	1,529,472	183,302
Street marking and signs	196,035	198,844	205,070	(6,226)
Traffic signals	462,667	492,956	443,914	49,042
Street cleaning	433,795	462,729	532,492	(69,763)
VDOT reserve	18,675	18,675	3,447	15,228
Street construction	367,100	394,139	392,064	2,075
Thoroughfare construction	173,045	637,530	654,272	(16,742)
Total highways, streets, bridges and sidewalks	<u>\$ 3,425,675</u>	<u>\$ 4,182,619</u>	<u>\$ 4,031,638</u>	<u>\$ 150,981</u>
Maintenance of buildings and grounds:				
Uptown maintenance	\$ 43,010	\$ 43,010	\$ 43,019	\$ (9)
City hall maintenance	420,321	421,592	415,467	6,125
Social services building maintenance	1,000	1,000	10,142	(9,142)
Indoor Plumbing	334,174	399,392	135,268	264,124
Rescue squad building	-	-	5,698	(5,698)
WPBDC building	-	-	1,092	(1,092)
Housing services building	-	-	2,912	(2,912)
Public health center	10,000	10,000	15,154	(5,154)
Total maintenance of buildings and grounds	<u>\$ 808,505</u>	<u>\$ 874,994</u>	<u>\$ 628,752</u>	<u>\$ 246,242</u>
Total public works	<u>\$ 4,234,180</u>	<u>\$ 5,057,613</u>	<u>\$ 4,660,390</u>	<u>\$ 397,223</u>
Health and Welfare				
Health:				
Comprehensive services	\$ -	\$ -	\$ 64,121	\$ (64,121)
Contribution to local health department	189,761	189,761	189,761	-
State and local hospitalization	5,719	5,719	6,878	(1,159)
Total health	<u>\$ 195,480</u>	<u>\$ 195,480</u>	<u>\$ 260,760</u>	<u>\$ (65,280)</u>
Mental Health and Mental Retardation:				
Chapter X board	<u>\$ 59,628</u>	<u>\$ 59,628</u>	<u>\$ 59,628</u>	<u>\$ -</u>
Welfare/Social Services:				
Regional social services board	<u>\$ 316,848</u>	<u>\$ 316,848</u>	<u>\$ 285,466</u>	<u>\$ 31,382</u>
Total welfare/social services	<u>\$ 316,848</u>	<u>\$ 316,848</u>	<u>\$ 285,466</u>	<u>\$ 31,382</u>
Total health and welfare	<u><u>\$ 571,956</u></u>	<u><u>\$ 571,956</u></u>	<u><u>\$ 605,854</u></u>	<u><u>\$ (33,898)</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2009 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Education:				
Contributions to community colleges	\$ 31,604	\$ 31,604	\$ 31,604	\$ -
Contributions to School Board Component Unit	6,589,342	6,860,205	6,860,205	-
Total education	<u>\$ 6,620,946</u>	<u>\$ 6,891,809</u>	<u>\$ 6,891,809</u>	<u>\$ -</u>
Parks, Recreation, and Cultural:				
Parks and recreation:				
Leisure services	\$ 189,206	\$ 189,806	\$ 165,863	\$ 23,943
Park maintenance	294,467	319,321	275,756	43,565
Hooker field	37,651	38,606	32,453	6,153
Senior center	194,303	207,621	202,006	5,615
Armory	74,183	83,597	77,754	5,843
Total parks and recreation	<u>\$ 789,810</u>	<u>\$ 838,951</u>	<u>\$ 753,832</u>	<u>\$ 85,119</u>
Library:				
Regional library	\$ 346,712	\$ 346,712	\$ 346,712	\$ -
Total parks, recreation and cultural	<u>\$ 1,136,522</u>	<u>\$ 1,185,663</u>	<u>\$ 1,100,544</u>	<u>\$ 85,119</u>
Community Development:				
Planning and Community Development:				
Housing / community development	\$ 95,897	\$ 100,554	\$ 123,600	\$ (23,046)
Miscellaneous development expenses	140,700	133,025	79,740	53,285
Planning and zoning	135,400	136,000	103,440	32,560
Contributions to local organizations	792,614	801,575	823,669	(22,094)
Total planning and community development	<u>\$ 1,164,611</u>	<u>\$ 1,171,154</u>	<u>\$ 1,130,449</u>	<u>\$ 40,705</u>
Cooperative Extension Program:				
Horticulture and family resources	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Total community development	<u>\$ 1,173,611</u>	<u>\$ 1,180,154</u>	<u>\$ 1,139,449</u>	<u>\$ 40,705</u>
Debt service:				
Principal retirement	\$ 126,072	\$ 126,072	\$ 126,391	\$ (319)
Interest and other debt costs	23,837	23,837	23,518	319
Total debt service	<u>\$ 149,909</u>	<u>\$ 149,909</u>	<u>\$ 149,909</u>	<u>\$ -</u>
Total General Fund	<u><u>\$ 30,203,737</u></u>	<u><u>\$ 31,818,824</u></u>	<u><u>\$ 30,561,012</u></u>	<u><u>\$ 1,257,812</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2009 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Special Revenue Funds:				
City Grants Fund:				
Planning and Community Development:				
Community development block grant	\$ 764,070	\$ 876,098	\$ 822,669	\$ 53,429
Total City Grants Fund	<u>\$ 764,070</u>	<u>\$ 876,098</u>	<u>\$ 822,669</u>	<u>\$ 53,429</u>
Housing Choice Fund:				
Planning and Community Development:				
Housing choice voucher program	\$ 1,778,064	\$ 1,786,297	\$ 1,988,674	\$ (202,377)
Total Housing Choice Fund	<u>\$ 1,778,064</u>	<u>\$ 1,786,297</u>	<u>\$ 1,988,674</u>	<u>\$ (202,377)</u>
Total Special Revenue Funds	<u>\$ 2,542,134</u>	<u>\$ 2,662,395</u>	<u>\$ 2,811,343</u>	<u>\$ (148,948)</u>
Capital Project Funds:				
Capital Reserve Fund:				
Capital outlays and projects:				
General Government Administration:				
Communications equipment	\$ 13,500	\$ 13,500	\$ 12,920	\$ 580
ADP equipment - information services	100,000	102,581	71,153	31,428
Fiber optic network	40,000	43,171	48,000	(4,829)
Central garage	225,000	261,003	268,440	(7,437)
City hall	25,000	25,000	4,635	20,365
Public property	36,000	36,000	58,709	(22,709)
Minet - phone system	95,000	95,000	94,508	492
Motor vehicles	18,190	21,200	13,976	7,224
Total general government administration	<u>\$ 552,690</u>	<u>\$ 597,455</u>	<u>\$ 572,341</u>	<u>\$ 25,114</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department - equipment	\$ -	\$ 4,370	\$ -	\$ 4,370
Police department - motor vehicles	160,269	175,490	175,490	-
Jail expansion	93,600	93,600	48,101	45,499
Total law enforcement and traffic control	<u>\$ 253,869</u>	<u>\$ 273,460</u>	<u>\$ 223,591</u>	<u>\$ 49,869</u>
Fire and Rescue Services:				
Fire services - equipment	\$ 19,800	\$ 19,800	\$ 18,133	\$ 1,667
Fire services - motor vehicles	25,500	25,500	24,533	967
Total fire and rescue services	<u>\$ 45,300</u>	<u>\$ 45,300</u>	<u>\$ 42,666</u>	<u>\$ 2,634</u>
Total public safety	<u>\$ 299,169</u>	<u>\$ 318,760</u>	<u>\$ 266,257</u>	<u>\$ 52,503</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2009 (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)				
Public Works:				
Highways, streets, bridges and sidewalks:				
Street construction - equipment	\$ 180,000	\$ 187,150	\$ 187,150	\$ -
Street construction - motor vehicles	81,000	81,000	64,454	16,546
Total public works	<u>\$ 261,000</u>	<u>\$ 268,150</u>	<u>\$ 251,604</u>	<u>\$ 16,546</u>
Parks, Recreation, and Cultural:				
Parks and recreation:				
Senior center	\$ 8,725	\$ 8,725	\$ 8,216	\$ 509
Total parks, recreation and cultural	<u>\$ 8,725</u>	<u>\$ 8,725</u>	<u>\$ 8,216</u>	<u>\$ 509</u>
Debt service:				
Principal retirement	\$ 305,968	\$ 296,168	\$ 1,497,164	\$ (1,200,996)
Interest and other debt costs	63,050	72,850	93,710	(20,860)
Total debt service	<u>\$ 369,018</u>	<u>\$ 369,018</u>	<u>\$ 1,590,874</u>	<u>\$ (1,221,856)</u>
Total Capital Reserve Fund	<u><u>\$ 1,490,602</u></u>	<u><u>\$ 1,562,108</u></u>	<u><u>\$ 2,689,292</u></u>	<u><u>\$ (1,127,184)</u></u>
Meals Tax Fund:				
General Government Administration:				
Meals tax administration	\$ 35,190	\$ 35,190	\$ 35,190	\$ -
Debt service:				
Principal retirement	\$ 934,895	\$ 934,895	\$ 2,036,795	\$ (1,101,900)
Interest and other debt costs	443,882	443,882	411,105	32,777
Total debt service	<u>\$ 1,378,777</u>	<u>\$ 1,378,777</u>	<u>\$ 2,447,900</u>	<u>\$ (1,069,123)</u>
Total Meals Tax Fund	<u><u>\$ 1,413,967</u></u>	<u><u>\$ 1,413,967</u></u>	<u><u>\$ 2,483,090</u></u>	<u><u>\$ (1,069,123)</u></u>
Total Capital Project Funds	<u><u>\$ 2,904,569</u></u>	<u><u>\$ 2,976,075</u></u>	<u><u>\$ 5,172,382</u></u>	<u><u>\$ (2,196,307)</u></u>
Grand Total Expenditures - Primary Government	<u><u>\$ 35,650,440</u></u>	<u><u>\$ 37,457,294</u></u>	<u><u>\$ 38,544,737</u></u>	<u><u>\$ (1,087,443)</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2009 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction	\$ 14,831,904	\$ 15,458,176	\$ 15,177,729	\$ 280,447
Administration, attendance and health	5,703,463	5,920,005	5,512,812	407,193
Pupil transportation	909,909	936,969	1,138,416	(201,447)
Operation and maintenance of school plant	<u>3,030,681</u>	<u>3,507,028</u>	<u>3,263,912</u>	<u>243,116</u>
Total operating costs	<u>\$ 24,475,957</u>	<u>\$ 25,822,178</u>	<u>\$ 25,092,869</u>	<u>\$ 729,309</u>
Total School Operating Fund	<u><u>\$ 24,475,957</u></u>	<u><u>\$ 25,822,178</u></u>	<u><u>\$ 25,092,869</u></u>	<u><u>\$ 729,309</u></u>
School Cafeteria Fund:				
Education:				
School food services	<u>\$ 1,180,987</u>	<u>\$ 1,180,987</u>	<u>\$ 1,353,388</u>	<u>\$ (172,401)</u>
School Grants Fund:				
Education:				
Instruction costs	<u>\$ -</u>	<u>\$ 1,362,050</u>	<u>\$ 1,332,924</u>	<u>\$ 29,126</u>
Grand Total Expenditures - Component Unit - School Board	<u><u>\$ 25,656,944</u></u>	<u><u>\$ 28,365,215</u></u>	<u><u>\$ 27,779,181</u></u>	<u><u>\$ 586,034</u></u>

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

These tables contain trend information to help the reader understand how the the City's financial performance and well-being have changed over time.

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

Revenue Capacity

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

Assessed Value of Taxable Property and Tax Rates	7
Principal Taxpayers	8
Property Tax Levies and Collections	9

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.

Ratios of Outstanding Debt by Type	10
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	11
Computation of Direct and Overlapping Bonded Debt	12

Demographic and Economic Information

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

Operating Information

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

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

Sources:

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

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

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Governmental activities:						
Invested in capital assets, net of related debt	\$ (845,555)	\$ (241,412)	\$ (123,200)	\$ 5,142,385	\$ 5,319,803	\$ 5,351,713
Unrestricted	1,785,677	2,367,402	2,152,087	4,734,923	6,512,958	5,938,838
Total governmental activities net assets	<u>\$ 940,122</u>	<u>\$ 2,125,990</u>	<u>\$ 2,028,887</u>	<u>\$ 9,877,308</u>	<u>\$ 11,832,761</u>	<u>\$ 11,290,551</u>
Business-type activities:						
Invested in capital assets, net of related debt	\$ 14,978,661	\$ 14,603,260	\$ 14,161,621	\$ 14,643,741	\$ 14,934,394	\$ 15,210,773
Unrestricted	4,475,941	6,682,959	8,413,648	8,031,456	8,389,158	6,452,916
Total business-type activities net assets	<u>\$ 19,454,602</u>	<u>\$ 21,286,219</u>	<u>\$ 22,575,269</u>	<u>\$ 22,675,197</u>	<u>\$ 23,323,552</u>	<u>\$ 21,663,689</u>
Primary government						
Invested in capital assets, net of related debt	\$ 14,133,106	\$ 14,361,848	\$ 14,038,421	\$ 19,786,126	\$ 20,254,197	\$ 20,562,486
Unrestricted	6,261,618	9,050,361	10,565,735	12,766,379	14,902,116	12,391,754
Total primary government	<u>\$ 20,394,724</u>	<u>\$ 23,412,209</u>	<u>\$ 24,604,156</u>	<u>\$ 32,552,505</u>	<u>\$ 35,156,313</u>	<u>\$ 32,954,240</u>

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

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

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Expenses:						
Governmental activities:						
General government administration	\$ 2,743,168	\$ 3,657,672	\$ 3,368,586	\$ 3,163,344	\$ 3,632,533	\$ 4,276,071
Judicial administration	1,351,523	1,461,196	1,565,300	1,767,723	1,907,359	2,000,159
Public safety	8,167,425	8,221,961	9,145,017	9,048,222	9,397,114	9,696,451
Public works	3,558,497	2,982,834	3,544,843	4,399,867	4,210,661	4,692,221
Health and welfare	560,092	448,218	630,735	577,782	502,245	582,129
Education	7,849,055	7,324,102	7,609,659	7,418,547	7,834,905	7,679,809
Parks, recreation, and cultural	984,188	1,106,306	1,472,756	1,486,711	1,740,767	1,096,975
Community development	3,309,836	3,566,228	3,544,537	4,303,337	3,005,045	3,954,587
Interest and other fiscal charges	502,572	471,184	757,926	511,628	313,246	514,838
Total governmental activities expenses	\$ 29,026,356	\$ 29,239,701	\$ 31,639,359	\$ 32,677,161	\$ 32,543,875	\$ 34,493,240
Business-type activities:						
Electric	7,880,557	7,738,232	11,533,301	14,000,303	14,386,289	15,660,263
Water	1,630,847	1,656,305	1,819,844	1,873,437	2,014,138	2,135,742
Sewer	2,016,250	2,188,736	2,552,257	2,775,866	2,818,953	3,105,291
Refuse collection / landfill	1,913,828	1,742,857	1,563,843	1,289,533	2,957,901	2,368,403
Total business-type activities expenses	\$ 13,441,482	\$ 13,326,130	\$ 17,469,245	\$ 19,939,139	\$ 22,177,281	\$ 23,269,699
Total primary government expenses	\$ 42,467,838	\$ 42,565,831	\$ 49,108,604	\$ 52,616,300	\$ 54,721,156	\$ 57,762,939
Program revenues:						
Governmental activities:						
Charges for services:						
General government administration	\$ 12,036	\$ 27,565	\$ 57,777	\$ 80,019	\$ 91,900	\$ 113,848
Judicial administration	243,296	293,337	276,702	260,975	234,672	252,763
Public safety	98,329	174,115	339,337	334,052	325,242	361,662
Public works	347,456	73,745	90,364	90,002	90,879	92,071
Parks, recreation, and cultural	25,188	110,378	126,146	142,074	135,477	141,895
Community Development	91,544	-	-	-	-	-
Operating grants and contributions:						
General government administration	212,882	236,395	242,419	272,402	276,647	267,032
Judicial administration	243,296	532,023	645,010	786,710	866,548	780,735
Public safety	98,329	3,032,031	3,083,108	3,535,245	3,940,060	3,955,895
Public works	347,456	2,352,700	2,337,755	2,431,846	2,591,437	2,642,578
Health and welfare	-	169,150	277,439	360,404	13,996	12,258
Parks, recreation, and cultural	25,188	-	18,964	18,227	21,953	17,467
Community development	91,544	2,106,049	2,168,303	2,426,624	2,715,790	2,378,903
Capital grants and contributions	139,992	139,919	139,368	834,435	647,121	138,691
Total governmental activities program revenues	\$ 1,976,536	\$ 9,247,407	\$ 9,802,692	\$ 11,573,015	\$ 11,951,722	\$ 11,155,799

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

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Business-type activities:						
Charges for services:						
Electric	\$ 10,705,777	\$ 11,796,694	\$ 15,356,098	\$ 16,499,732	\$ 17,357,449	\$ 16,728,961
Water	2,163,749	2,213,187	2,575,303	2,998,529	3,639,981	3,216,234
Sewer	2,040,824	2,211,259	2,735,337	3,300,744	3,815,476	3,876,929
Refuse collection / landfill	3,376,948	3,654,213	2,533,568	1,396,947	1,370,624	1,431,649
Operating grants and contributions	243,925	25,728	-	48,003	-	-
Total business-type activities program revenues	\$ 18,531,223	\$ 19,901,081	\$ 23,200,306	\$ 24,243,955	\$ 26,183,530	\$ 25,253,773
Total primary government program revenues	\$ 20,507,759	\$ 29,148,488	\$ 33,002,998	\$ 35,816,970	\$ 38,135,252	\$ 36,409,572
Net (expense) / revenue						
Governmental activities	\$ (27,049,820)	\$ (19,992,294)	\$ (21,836,667)	\$ (21,104,147)	\$ (20,592,153)	\$ (23,337,441)
Business-type activities	16,617,395	6,574,951	5,731,061	4,304,816	4,006,249	1,984,074
Total primary government net expense	\$ (10,432,425)	\$ (13,417,343)	\$ (16,105,606)	\$ (16,799,331)	\$ (16,585,904)	\$ (21,353,367)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
General property taxes	\$ 7,303,536	\$ 7,460,249	\$ 7,677,907	\$ 8,759,342	\$ 9,202,010	\$ 9,443,548
Local sales and use taxes	2,048,135	2,020,464	2,145,605	2,279,517	2,054,229	2,015,151
Consumer utility taxes	764,038	769,307	768,590	758,582	749,579	735,458
Business license taxes	1,488,635	1,750,980	1,713,541	1,757,733	1,837,209	1,849,974
Meals tax	1,039,988	1,119,338	1,155,170	1,368,860	1,403,131	1,430,326
Telephone taxes	587,291	598,640	559,954	267,252	-	-
Other local taxes	1,184,353	1,094,081	1,223,340	1,428,376	1,803,565	1,792,617
Commonwealth of Virginia non-categorical aid	741,465	669,189	732,396	734,180	724,000	704,371
Unrestricted revenues from use of money and property	75,751	659,907	965,674	1,460,400	1,006,575	732,669
Miscellaneous	340,160	292,673	246,894	320,679	283,529	441,675
Transfers	3,475,613	4,743,334	4,550,493	4,392,215	3,483,779	3,649,442
Total governmental activities	\$ 19,048,965	\$ 21,178,162	\$ 21,739,564	\$ 23,527,136	\$ 22,547,606	\$ 22,795,231
Business-type activities:						
Transfers	\$ (3,475,613)	\$ (4,743,334)	\$ (4,550,493)	\$ (4,392,215)	\$ (3,483,779)	\$ (3,649,442)
Unrestricted revenues from use of money and property	-	-	108,482	187,327	125,885	5,505
Total business-type activities	\$ (3,475,613)	\$ (4,743,334)	\$ (4,442,011)	\$ (4,204,888)	\$ (3,357,894)	\$ (3,643,937)
Total primary government	\$ 15,573,352	\$ 16,434,828	\$ 17,297,553	\$ 19,322,248	\$ 19,189,712	\$ 19,151,294
Change in Net Assets						
Governmental activities	\$ (8,000,855)	\$ 1,185,868	\$ (97,103)	\$ 2,422,989	\$ 1,955,453	\$ (542,210)
Business-type activities	13,141,782	1,831,617	1,289,050	99,928	648,355	(1,659,863)
Total primary government	\$ 5,140,927	\$ 3,017,485	\$ 1,191,947	\$ 2,522,917	\$ 2,603,808	\$ (2,202,073)

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

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

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Business License Taxes	Meals Taxes	Telephone Taxes	Other Local Taxes	Total
2009	\$ 9,443,548	\$ 2,015,151	\$ 735,458	\$ 1,849,974	\$ 1,430,326	\$ -	\$ 1,792,617	\$ 17,267,074
2008	9,202,010	2,054,229	749,579	1,837,209	1,403,131	-	1,803,565	17,049,723
2007	8,759,342	2,279,517	758,582	1,757,733	1,368,860	267,252	1,428,376	16,619,662
2006	7,677,907	2,145,605	768,590	1,713,541	1,155,170	559,954	1,223,340	15,244,107
2005	7,460,249	2,020,464	769,307	1,750,980	1,119,338	598,640	1,094,081	14,813,059
2004	7,303,536	2,048,135	764,038	1,488,635	1,039,988	587,291	1,184,353	14,415,976

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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General fund					
Unreserved, designated	\$ -	156,109	\$ 156,109	156,694	\$ 154,099
Unreserved, undesignated	<u>127,858</u>	<u>691,135</u>	<u>1,157,731</u>	<u>635,008</u>	<u>659,306</u>
Total general fund	<u>\$ 127,858</u>	<u>847,244</u>	<u>\$ 1,313,840</u>	<u>791,702</u>	<u>\$ 813,405</u>
All other governmental funds					
Unreserved, reported in:					
Special revenue funds (deficit)	\$ (78,523)	(213,983)	\$ (387,443)	175,600	\$ 420,396
Capital projects funds	<u>2,289,306</u>	<u>1,007,923</u>	<u>71,774</u>	<u>(225,378)</u>	<u>(170,780)</u>
Total all other governmental funds	<u>\$ 2,210,783</u>	<u>793,940</u>	<u>\$ (315,669)</u>	<u>(49,778)</u>	<u>\$ 249,616</u>

Table 4

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 154,099	\$ 154,099	\$ 154,099	\$ 154,099	\$ 154,099
<u>354,406</u>	<u>954,031</u>	<u>2,081,470</u>	<u>3,666,122</u>	<u>2,959,209</u>
<u>\$ 508,505</u>	<u>\$ 1,108,130</u>	<u>\$ 2,235,569</u>	<u>\$ 3,820,221</u>	<u>\$ 3,113,308</u>
\$ 1,127,266	\$ (459,576)	\$ 54,241	\$ 516,890	\$ 116,818
<u>(347,663)</u>	<u>169,943</u>	<u>1,070,070</u>	<u>834,781</u>	<u>1,177,707</u>
<u>\$ 779,603</u>	<u>\$ (289,633)</u>	<u>\$ 1,124,311</u>	<u>\$ 1,351,671</u>	<u>\$ 1,294,525</u>

CITY OF MARTINSVILLE, VIRGINIA

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenues:				
General property taxes	\$ 7,372,892	\$ 6,374,432	\$ 6,754,405	\$ 7,288,727
Other local taxes	6,227,663	6,518,345	6,887,937	7,112,440
Permits, privilege fees and regulatory licenses	17,024	13,360	101,779	69,393
Fines and forfeitures	201,585	214,765	188,946	221,076
Revenue from use of money and property	667,962	603,587	603,793	485,093
Charges for services	87,789	118,322	127,495	118,038
Miscellaneous	695,808	391,409	259,880	340,160
Recovered costs	819,424	940,455	964,001	947,939
Intergovernmental:				
Commonwealth	7,363,865	8,206,223	6,941,379	7,008,991
Federal	694,148	1,525,729	2,465,669	2,485,469
Total revenues	<u>\$ 24,148,160</u>	<u>\$ 24,906,627</u>	<u>\$ 25,295,284</u>	<u>\$ 26,077,326</u>
Expenditures:				
General government administration	\$ 2,806,251	\$ 2,827,411	\$ 2,956,254	\$ 3,123,305
Judicial administration	1,755,428	1,585,234	1,418,241	1,372,696
Public safety	7,529,991	7,779,779	7,678,200	7,845,641
Public works	3,203,106	3,266,630	3,366,197	3,667,769
Health and welfare	692,418	613,511	497,656	561,968
Education	7,265,888	7,653,244	7,442,194	6,877,698
Parks, recreation, and cultural	925,040	966,334	949,304	969,929
Community development	1,735,267	2,324,440	3,364,924	2,997,166
Capital Outlays	-	915,394	745,583	677,481
Capital Projects	2,637,869	2,125,148	184,620	110,432
Non-departmental	212,975	132,802	120,008	-
Debt service:				
Principal retirement	456,893	765,000	951,135	1,906,339
Interest and other fiscal charges	332,187	533,395	550,070	608,736
Total expenditures	<u>\$ 29,553,313</u>	<u>\$ 31,488,322</u>	<u>\$ 30,224,386</u>	<u>\$ 30,719,160</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (5,405,153)</u>	<u>\$ (6,581,695)</u>	<u>\$ (4,929,102)</u>	<u>\$ (4,641,834)</u>
Other financing sources (uses):				
Proceeds from debt issued	\$ 7,500,000	\$ 807,510	\$ 476,888	\$ 127,000
Retirement of commercial loans	-	-	-	-
Retirement of interim financing	(7,500,000)	-	-	-
Sale of property	81,060	-	-	1,177,000
Refund VDOT grant	-	(450,000)	-	-
Operating transfers from/to primary government	(7,265,888)	(7,653,244)	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	5,737,232	5,995,144	4,772,234	3,902,199
Transfers (out)	(846,971)	(414,062)	(550,750)	(426,586)
Total other financing sources (uses)	<u>\$ (2,294,567)</u>	<u>\$ (1,714,652)</u>	<u>\$ 4,698,372</u>	<u>\$ 4,779,613</u>
Net changes in fund balances	<u>\$ (7,699,720)</u>	<u>\$ (8,296,347)</u>	<u>\$ (230,730)</u>	<u>\$ 137,779</u>
Debt service as a percentage of noncapital expenditures	<u>2.93%</u>	<u>4.56%</u>	<u>5.12%</u>	<u>8.40%</u>

Table 5

	2004	2005	2006	2007	2008	2009
\$	7,338,045	\$ 7,642,006	\$ 8,744,282	\$ 8,744,282	\$ 9,252,784	\$ 9,305,221
	7,352,810	7,566,200	7,860,321	7,860,321	7,847,713	7,823,526
	199,679	418,210	436,393	436,393	432,554	447,276
	251,543	235,837	207,286	207,286	167,266	180,298
	659,907	965,674	1,472,629	1,472,629	1,006,575	732,669
	213,979	236,278	263,442	263,442	278,350	334,665
	292,673	246,894	320,678	320,678	283,529	441,676
	900,686	894,882	1,084,522	1,084,522	1,113,309	995,822
	6,995,579	7,176,201	8,346,744	8,346,744	8,840,847	7,764,295
	2,255,816	2,468,561	3,053,329	3,053,329	2,956,705	3,133,635
\$	<u>26,460,717</u>	<u>\$ 27,850,743</u>	<u>\$ 31,789,626</u>	<u>\$ 31,789,626</u>	<u>\$ 32,179,632</u>	<u>\$ 31,159,083</u>
\$	4,079,407	\$ 3,924,510	\$ 3,888,574	\$ 3,888,574	\$ 4,302,438	\$ 5,012,363
	1,468,873	1,566,000	1,779,779	1,779,779	1,907,589	2,000,189
	8,935,052	9,200,137	9,191,113	9,191,113	9,716,719	9,874,293
	3,551,770	3,820,345	4,518,076	4,518,076	4,062,576	4,911,994
	454,094	642,240	600,133	600,133	521,146	605,854
	6,403,847	8,740,321	6,695,401	6,695,401	7,082,718	6,891,809
	1,157,425	1,459,050	1,491,346	1,491,346	1,722,562	1,108,760
	3,766,058	3,726,792	4,516,723	4,516,723	2,970,905	3,950,792
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	1,092,255	1,183,049	1,103,063	1,103,063	3,660,658	3,660,350
	497,758	638,403	482,109	482,109	368,440	528,333
\$	<u>31,406,539</u>	<u>\$ 34,900,847</u>	<u>\$ 34,266,317</u>	<u>\$ 34,266,317</u>	<u>\$ 36,315,751</u>	<u>\$ 38,544,737</u>
\$	<u>(4,945,822)</u>	<u>\$ (7,050,105)</u>	<u>\$ (2,476,691)</u>	<u>\$ (2,476,691)</u>	<u>\$ (4,136,119)</u>	<u>\$ (7,385,654)</u>
\$	427,575	\$ 4,529,764	\$ 500,000	\$ 500,000	\$ 2,464,452	\$ 2,972,053
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	(2,499,764)	-	-	-	-
	5,868,548	4,859,443	5,442,840	5,442,840	3,975,745	3,773,941
	(1,125,214)	(308,950)	(1,050,625)	(1,050,625)	(491,966)	(124,499)
\$	<u>5,170,909</u>	<u>\$ 6,580,493</u>	<u>\$ 4,892,215</u>	<u>\$ 4,892,215</u>	<u>\$ 5,948,231</u>	<u>\$ 6,621,495</u>
\$	<u>225,087</u>	<u>\$ (469,612)</u>	<u>\$ 2,415,524</u>	<u>\$ 2,415,524</u>	<u>\$ 1,812,112</u>	<u>\$ (764,159)</u>
	<u>5.30%</u>	<u>5.64%</u>	<u>4.87%</u>	<u>4.70%</u>	<u>11.26%</u>	<u>11.16%</u>

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

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Business License Taxes	Meals Taxes	(Telephone) E-911 Taxes	Other Local Taxes	Total
2009	\$ 9,305,221	\$ 2,015,151	\$ 735,458	\$ 1,849,974	\$ 1,430,326	\$ -	\$ 1,792,617	\$ 17,128,747
2008	9,252,784	2,054,229	749,579	1,837,209	1,403,131	-	1,803,565	17,100,497
2007	8,744,282	2,279,517	758,582	1,757,733	1,368,860	267,252	1,428,376	16,604,602
2006	7,642,006	2,145,605	768,590	1,713,541	1,155,170	559,954	1,223,340	15,208,206
2005	7,338,045	2,020,464	769,307	1,750,980	1,119,338	598,640	1,094,081	14,690,855
2004	7,288,727	2,048,135	764,038	1,488,635	1,039,988	587,291	1,184,353	14,401,167
2003	6,754,405	2,108,305	779,646	1,615,629	860,452	565,586	958,319	13,642,342
2002	6,374,432	1,835,109	773,811	1,432,066	856,362	559,492	1,061,505	12,892,777
2001	7,372,892	1,969,909	773,679	1,208,205	845,740	467,106	963,024	13,600,555
2000	6,583,181	2,014,469	741,872	1,102,351	813,267	510,845	980,687	12,746,672

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

Fiscal Year (1)	Real Estate	Personal Property	Machinery and Tools	Public Service	Total	Tax Rates			
						Real Estate	Personal Property	Machinery and Tools	Public Service
2009	\$ 695,748,787	\$ 113,874,992	\$ 6,715,547	\$ 22,318,052	\$ 838,657,378	1.08	\$ 2.30	\$ 1.85	\$ 1.08
2008	639,192,692	108,609,168	11,452,777	26,072,969	785,327,606	1.08	2.30	1.85	1.08
2007	593,669,976	100,582,016	15,146,780	21,340,984	730,739,756	1.08	2.30	1.85	1.08
2006	588,988,194	98,478,170	12,831,665	25,709,402	726,007,431	0.94	2.30	1.85	0.94
2005	559,497,600	101,861,411	12,083,426	27,043,443	700,485,880	0.94	2.30	1.85	0.94
2004	556,169,600	94,124,537	13,754,159	29,719,298	693,767,594	0.94	2.30	1.85	0.94
2003	531,125,500	89,785,700	13,854,533	27,763,786	662,529,519	0.94	1.92	1.85	0.94
2002	500,132,200	91,886,053	17,253,822	27,821,178	637,093,253	0.94	1.92	1.85	0.94
2001	499,376,500	87,362,958	47,211,356	27,313,555	661,264,369	0.94	1.92	1.85	0.94
2000	492,377,750	87,198,592	50,918,879	26,135,117	656,630,338	0.94	1.92	1.85	0.94

(1) 100% fair market value.

Source: Commissioner of the Revenue

Principal Taxpayers - Current Year and Six Years Ago
At June 30, 2009

Taxpayer	Type of Business	Fiscal Year 2009			Fiscal Year 2004		
		Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
PHC - Martinsville Inc.	Hospital	\$ 68,254,918	1	8.14%	\$ 28,937,000	1	4.17%
Liberty Fair Va. LP	Shopping Mall	26,542,300	2	3.16%	28,802,000	2	4.15%
Lester Lumber Co. Inc.	Commercial	16,398,300	3	1.96%	13,672,500	4	1.97%
Central Telephone Company of Va.	Utility	12,648,298	4	1.51%	17,488,010	3	2.52%
Blue Ridge Nursing Center	Medical	8,332,600	5	0.99%	8,511,900	5	1.23%
Commonwealth Blvd. Associates, LLC	Commercial	5,504,800	6	0.66%	4,737,400	6	0.68%
CHS, Inc.	Medical	4,585,200	7	0.55%		n/a	
Melrose Properties LLC	Commercial /Industrial	4,443,700	8	0.53%		n/a	
Daral LLC	Commercial	3,490,400	9	0.42%		n/a	
R C Realty Corp.	Commercial	3,330,400	10	0.40%	2,668,400	9	0.38%
Hooker Furniture Corporation	Commercial /Industrial		n/a		3,054,940	7	0.44%
Appalachian Power Company	Utility		n/a		2,974,170	8	0.43%
Rebkee Partners Martinsville, LLC	Commercial		n/a		2,603,900	10	0.38%

Source: Commissioner of the Revenue
Data for periods prior to 2004 if not available.

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
2009	\$ 9,960,763	\$ 9,330,615	93.67%	\$ 428,157
2008	10,162,566	9,304,630	91.56%	396,634
2007	9,594,029	8,819,854	91.93%	397,090
2006	8,587,588	7,808,647	90.93%	352,969
2005	8,142,346	7,441,799	91.40%	324,579
2004	7,984,936	7,554,156	94.61%	236,605
2003	7,269,766	6,925,121	95.26%	355,301
2002	7,104,697	6,899,049	97.11%	107,345
2001	7,546,250	6,596,153	87.41%	954,232
2000	7,525,350	6,301,132	83.73%	320,798

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

Table 9

	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
\$	9,758,772	97.97%	\$ 1,161,416	11.66%
	9,701,264	95.46%	1,156,795	11.38%
	9,216,944	96.07%	1,042,455	10.87%
	8,161,616	95.04%	934,930	10.89%
	7,766,378	95.38%	782,918	9.62%
	7,790,761	97.57%	751,746	9.41%
	7,280,422	100.15%	729,216	10.03%
	7,006,394	98.62%	845,663	11.90%
	7,550,385	100.05%	923,231	12.23%
	6,621,930	87.99%	1,466,633	19.49%

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	VPSA Bonds	Capital Leases	Notes Payable
2009	\$ 2,923,900	\$ -	\$ 6,500,000	\$ 1,946,566	\$ 851,263	\$ -
2008	3,077,971	-	7,125,000	2,045,332	661,723	-
2007	3,276,703	2,000,000	7,788,525	133,572	407,432	500,000
2006	3,464,764	2,000,000	8,452,050	157,819	647,235	-
2005	3,435,000	-	9,115,575	181,364	980,612	-
2004	3,595,000	-	9,779,100	204,251	798,880	-
2003	3,745,000	-	10,442,625	226,522	997,939	-
2002	3,890,000	-	11,106,150	248,227	737,363	945,000
2001	4,030,000	-	11,769,675	269,423	292,375	978,879
2000	4,145,000	7,500,000	4,558,200	290,162	382,304	1,232,865

n/a - not available at publication

Table 10

General Obligation Bonds	Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Net Bonded Debt per Capita
\$ 2,742,800	\$ -	\$ -	\$ 14,964,529	n/a	\$ 1,029
1,982,600	-	-	14,892,626	n/a	1,024
2,209,500	-	-	16,315,732	4.09%	1,122
1,907,900	-	-	16,629,768	4.25%	1,132
-	-	-	13,712,551	3.77%	930
-	825,000	114,068	15,316,299	6.03%	1,040
-	1,615,000	344,371	17,371,457	6.70%	1,156
-	2,375,000	566,725	19,868,465	7.66%	1,321
-	3,100,000	344,943	20,785,295	6.34%	1,361
-	-	451,042	18,559,573	5.71%	1,209

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
2009	14,543 \$	838,657,378 \$	14,113,266	1.68% \$	970
2008	14,543	785,327,606	14,230,903	1.81%	979
2007	14,545	730,739,756	15,774,728	2.16%	1,085
2006	14,687	726,007,431	15,824,714	2.18%	838
2005	14,743	700,485,880	12,731,939	1.82%	893
2004	14,731	693,767,594	13,580,355	1.96%	942
2003	15,024	662,529,519	14,414,147	2.18%	977
2002	15,041	637,093,253	15,244,377	2.39%	1,042
2001	15,277	661,264,369	16,069,098	2.43%	1,064
2000	15,355	656,630,338	16,493,362	2.51%	1,084

Sources:

(1) US Census Bureau and the Weldon Cooper Center for Public Service

(2) From Table 7

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

Computation of Direct and Overlapping Bonded Debt
At June 30, 2009

Direct:(1)

City of Martinsville	\$	14,113,266	100%	\$	14,113,266
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The City of Martinsville has no overlapping debt.

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)
2009	14,543	\$ n/a	2,453	21.60%	n/a
2008	14,543	n/a	2,436	11.40%	n/a
2007	14,545	27,427	2,408	8.40%	398,926
2006	14,687	26,646	2,526	7.20%	391,350
2005	14,743	24,641	2,575	10.10%	363,282
2004	14,731	17,251	2,593	12.00%	254,124
2003	15,024	17,251	2,673	10.50%	259,179
2002	15,041	17,251	2,655	12.50%	259,472
2001	15,277	21,447	2,676	7.80%	327,646
2000	15,355	21,154	2,621	7.80%	324,820

n/a - not available at publication

Sources:

- (1) US Census Bureau and the Weldon Cooper Center for Public Service
- (2) Virginia Employment Commission
- (3) School Board Office
- (4) Virginia Employment Commission
- (5) Bureau of Economic Analysis

Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>Fiscal Year 2009</u>		<u>Employer</u>	<u>Fiscal Year 2000</u>	
	<u>Employees</u>	<u>Rank</u>		<u>Employees</u>	<u>Rank</u>
Memorial Hospital of M'ville	500-999	1	Hooker Furniture Corp	500-999	1
GSI (formerly New Roads)	500-999	2	Memorial Hospital of M'ville	500-999	2
Martinsville City Schools	500-999	3	Martinsville City Schools	500-999	3
City of Martinsville	250-499	4	Nationwide Homes	250-499	4
Advantage Staffing Resources	250-499	5	City of Martinsville	250-499	5
Piedmont Reg Comm Services	250-499	6	New Roads	250-499	6
NV Warehouse Co Inc	250-499	7	Pulaski Furniture Corp	250-499	7
Hooker Furniture Corporation	100-249	8	Randstad	250-499	8
GCA Staffing Services Inc	100-249	9	Blue Ridge Rehabilitation Center	250-499	9
Nationwide Homes	100-249	10	Ameristaff	100-249	10

Source: Virginia Employment Commission

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

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

Source: Individual city departments

Data for fiscal year 2000 is not available for publication.

Operating Indicators by Function
Last Five Fiscal Years

		2005	2006	2007	2008	2009
Police Protection	Number of stations	1	1	1	1	1
	Number of police personnel and officers	53	53	52	52	25
	Number of law violations:					
	Physical arrests	1,454	2,133	1,562	1,546	1,933
	Traffic violations	4,403	3,909	3,469	2,882	3,336
Fire Protection	Number of stations	2	2	2	2	2
	Number of fire personnel and officers	29	41	41	39	40
	Number of calls answered	1,712	2,448	2,498	2,761	2,642
	Number of inspections conducted	1,071	122	246	237	2,560
Streets	Streets (miles)	16	16	100	100	100
	Streetlights	4,027	4,027	4,027	3,300	3,300
Recreation & Culture	Number of parks and recreation facilities	7	7	7	7	7
	Number of libraries	1	1	1	1	1
	Number of community centers	1	1	1	1	1
Water	Service Connections	7,500	7,500	7,500	7,300	7,300
	Miles of water mains	120	120	120	120	120
	Number of fire hydrants	520	520	548	548	548
	Daily average consumption in gallons	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	2.0 MGD
	Maximum daily capacity of plant in gallons	10.0 MGD				
Sewer	Service Connections	7,000	7,000	7,000	6,800	6,800
	Miles of sanitary sewers	140	140	140	140	140
	Miles of storm sewers	1	1	1	1	1
	Number of treatment plants	1	1	1	1	1
	Daily average treatment in gallons	4.5 MGD	5.0 MGD	5.0 MGD	5.0 MGD	4.5 MGD
	Maximum daily capacity of plant in gallons	8.0 MGD				
Electric Distribution Systems	Miles of service	100	100	100	100	100
	Number of distribution systems	1	1	1	1	1
Facilities and services not included in the primary government						
	Number of elementary schools	5	2	2	2	2
	Number of middle schools	1	1	1	1	1
	Number of secondary schools	1	1	1	1	1
Facilities and services not included in the reporting entity						
	Hospitals:					
	Number of hospitals	1	1	1	1	1
	Number of patient beds	237	220	220	220	220

Capital Asset Statistics by Function
Last Five Fiscal Years

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

Source: Individual city departments

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

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the City of Martinsville, Virginia's basic financial statements and have issued our report thereon dated October 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of City of Martinsville, Virginia separate letter dated October 6, 2009.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 6, 2009

**Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the City of Martinsville, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Martinsville, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Martinsville, Virginia's management. Our responsibility is to express an opinion on the City of Martinsville, Virginia's compliance based on our audit.

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

In our opinion, the City of Martinsville, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 6, 2009

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Units
Year Ended June 30, 2009

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
PRIMARY GOVERNMENT:		
<u>DEPARTMENT OF TRANSPORTATION:</u>		
<u>Pass through payments:</u>		
Department of Motor Vehicles:		
Alcohol Open Container Requirements	20.607	\$ <u>14,775</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>		
<u>Direct payments:</u>		
Section 8 Housing choice vouchers	14.871	\$ 1,649,752
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856	37,077
<u>Pass through payments:</u>		
Department of Housing and Community Development:		
Community development block grant	14.228	606,971
Home investment partnerships program	14.239	69
Total Department of Housing and Community Development		\$ <u>2,293,869</u>
<u>DEPARTMENT OF LABOR:</u>		
<u>Pass through payments:</u>		
Governor's Employment and Training Department:		
Senior Community Service Employment Program	17.235	\$ <u>17,467</u>
<u>DEPARTMENT OF JUSTICE:</u>		
<u>Direct payments:</u>		
Vipe grant	16.000	\$ 6,971
Asset forfeiture	16.000	51,534
Bullet proof vest program	16.000	7,540
COPS Fast grant	16.000	80,595
Gang-free schools and communities - Community Based Gang Intervention	16.544	20,000
State Criminal Alien Assistance Program	16.606	903
<u>Pass through payments:</u>		
Department of Criminal Justice Services:		
Crime victim assistance	16.575	<u>51,282</u>
Total Department of Justice		\$ <u>218,825</u>
<u>DEPARTMENT OF EDUCATION:</u>		
<u>Pass through payments:</u>		
Virginia Compensation Board:		
State fiscal stabilization fund (SFSF) - government services, recovery act	84.397	\$ <u>588,699</u>

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Units
Year Ended June 30, 2009 (Continued)

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
Total Primary Government		\$ <u>3,133,635</u>
COMPONENT UNIT-SCHOOL BOARD:		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass through payments:</u>		
Department of Education:		
Food distribution	10.555	\$ 78,855
Department of Education:		
National school breakfast program	10.553	226,886
National school lunch program	10.555	<u>658,874</u>
Total Department of Agriculture		\$ <u>964,615</u>
<u>DEPARTMENT OF DEFENSE:</u>		
<u>Direct payments:</u>		
ROTC Instruction	12.000	\$ <u>53,385</u>
<u>DEPARTMENT OF LABOR:</u>		
<u>Direct payments:</u>		
Workforce investment act - youth activities	17.259	\$ <u>27,725</u>
<u>DEPARTMENT OF EDUCATION:</u>		
<u>Pass through payments:</u>		
Department of Education:		
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	\$ 843,580
Special Education - Grants to States	84.027	495,411
Vocational Education:		
Career and Technical Education - Basic Grants to States	84.048	64,368

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Units
Year Ended June 30, 2009 (Continued)

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
COMPONENT UNIT-SCHOOL BOARD: (Continued)		
<u>DEPARTMENT OF EDUCATION: (Continued)</u>		
<u>Pass through payments: (Continued)</u>		
Special Education - Preschool Grants	84.173	\$ 6,656
Special Projects:		
Safe and Drug-free schools and communities - State Grants	84.186	214,662
English Language acquisition grants	84.365	17,554
Improving teacher quality state grants	84.367	151,307
Rural Education	84.358	85,235
21st Century Community Learning Centers	84.287	155,717
Education Technology State Grants	84.318	31,939
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	24,562
State Grants for Innovative Programs	84.298	<u>6,449</u>
 Total Department of Education		 \$ <u>2,097,440</u>
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:</u>		
<u>Direct payments:</u>		
Aerospace Education Services Program	43.001	\$ <u>98,480</u>
 Total Component Unit School Board		 \$ <u><u>3,241,645</u></u>
 Total Federal Assistance		 \$ <u><u>6,375,280</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2009

Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the City of Martinsville, Virginia. The City's reporting entity is defined in note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	\$ 754,870
Housing Choice Fund	1,686,829
Capital Reserve Fund	84,965
Grants Fund	<u>606,971</u>
Total primary government	\$ <u>3,133,635</u>
Component Unit Public Schools:	
School Operating Fund	\$ 949,944
School Grants Fund	1,327,086
School Cafeteria Fund	964,615
Total component unit public schools	\$ <u>3,241,645</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>6,375,280</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing choice
84.027/84.173	Special education Cluster (IDEA, Part B)
84.397	State fiscal stabilization fund (SFSF) - government services, recovery act

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

CITY OF MARTINSVILLE, VIRGINIA

Summary Schedule of Prior Year Findings
Year Ended June 30, 2009

There are no prior year findings and questioned costs.