

*Martinsville, Virginia*  
A CITY WITHOUT LIMITS



COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2008



**CITY OF MARTINSVILLE, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2008**

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**PREPARED BY:**

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Finance Department



**CITY OF MARTINSVILLE, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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## CITY OF MARTINSVILLE, VIRGINIA

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### City Council

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Kimble Reynolds, Jr., Mayor  
James W. Clark, Vice-Mayor

M. Gene Teague

Kathy C. Lawson

J. Ronald Ferrill

### School Board

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James H. Johnson, Chairman  
Bill R. Manning

Nancy L. Baker  
Sandra L. Haley

Robert Williams

### Other Officials

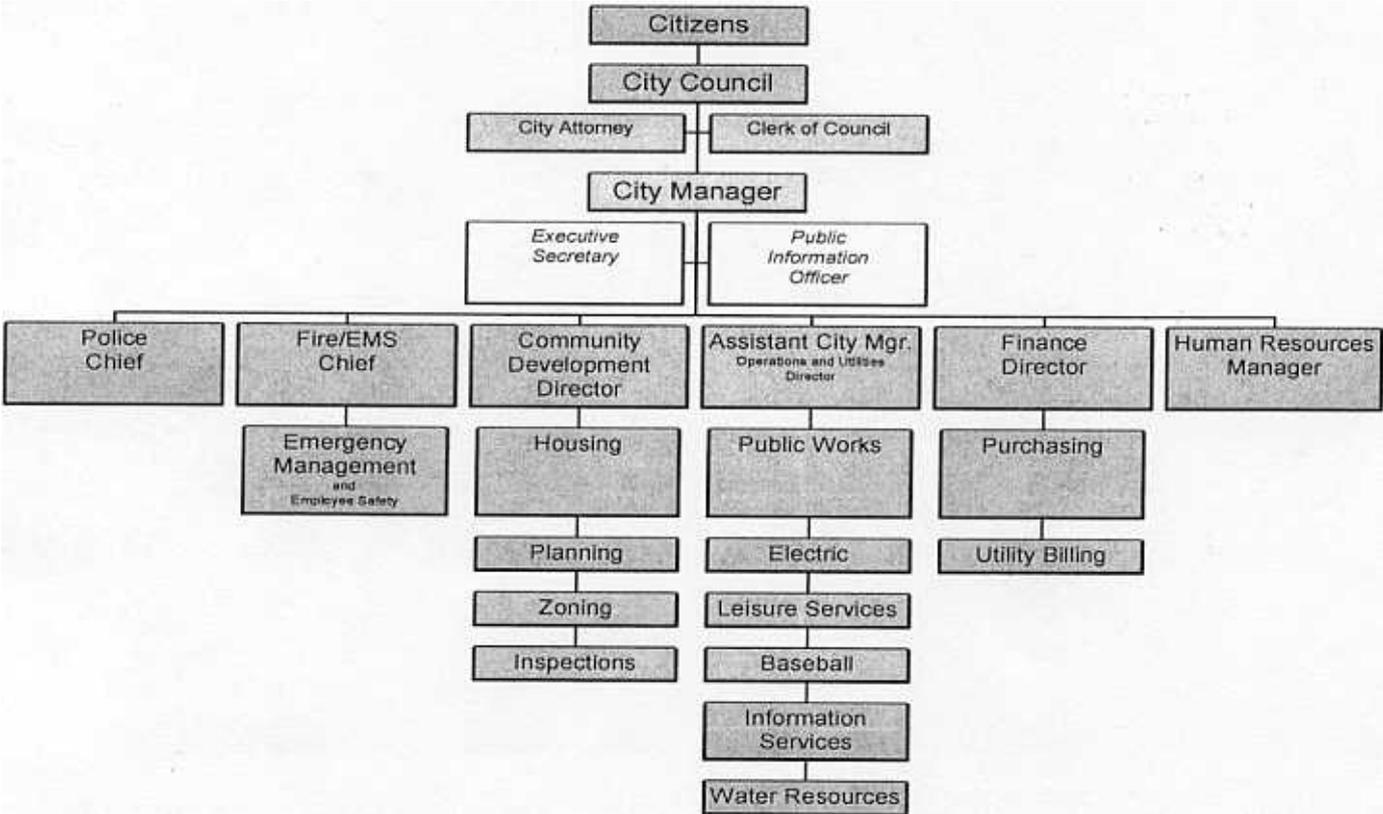
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City Manager .....	Clarence C. Monday
Clerk of the Circuit Court .....	Ashby R. Pritchett
City Attorney .....	Eric H. Monday
Commissioner of the Revenue .....	Ruth Easley
Treasurer .....	Pat S. Conrad
Police Chief .....	Michael E. Rogers
Superintendent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

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# *City of Martinsville, Virginia*

## Organizational Chart



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December 17, 2008

**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, 2008. 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, 2008 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 and one blended 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. The City's blended component unit is the Martinsville Industrial Development Authority. 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 11.4% at June 30, 2008, an increase over the rate of 8.4% at June 30, 2007. This rate is still much higher than the state and national rates of 4.2% and 5.7% 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 increased by 7.6% over the last three years, barely keeping pace with inflation. A major indicator of business activity is the amount collected from Business Licenses. The amount collected this Fiscal Year increased by 4.5% 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 2008:** 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: (CONTINUED)

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, to begin January 5, 2009

**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.

**Preparation and Closure of the City Landfill.** The City began efforts to close the landfill. Bids were solicited, along with approval from relevant regulatory authorities. A contract was awarded in the approximate amount of \$2,391,086 for closure to occur during FY08. The city incurred costs of \$2,017,587 in FY08 for the landfill closure.

**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. The wastewater portion of the project was completed last fiscal year and increased wastewater revenues by \$370,000 annually. Combined the City's utility revenues increased by more than \$500,000 annually. The project was funded by various grants.

**Prospects for the Future.** For fiscal year 2009 the City Council approved a General Fund Budget of \$30,203,737. The fiscal year 2009 budget maintains the real estate tax rate at \$1.08 per \$100 of assessed value, and all other tax rates remain the same. 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 close 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.

Final closure of the City landfill was completed during FY08, and is reflected in this fiscal audit. Mandatory environmental monitoring per state regulations will continue for the long-term.

The challenges in the Electric Fund are of continued concern. Current laws regarding deregulation have greatly increased our cost to purchase power and have forced the City to be noncompetitive with the adjacent power provider. 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. The result has caused the City wholesale rate to be much greater than the retail rates charged by the adjacent utility.

This forced the City to raise Electric rates charged to our customers by approximately 50% over the last 3 years. The result has been our rates are around 35% higher than the adjacent utility at the end of this period. In an effort to offer lower rates over the long-term, the City entered into a partnership with AMP-Ohio for power purchase. The initiative allows the City to purchase power from a portfolio of assets, including coal-fired and hydroelectric, 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.

**Risk Management.** The City of Martinsville has a risk management program which is committed to the logical, systematic and continuous identification of loss exposures for and to the City, its employees, its citizens and taxpayers, through the evaluation of risk in terms of severity and frequency probability and the application of sound loss control procedures. As a part of this commitment, the City has obtained third party coverage for all liability risk.

## 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.

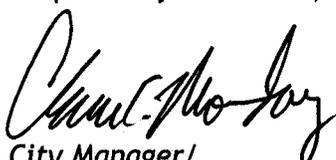
**Independent Audit.** The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the City by independent certified public accountants selected by the City Council. The City is required to undergo an annual single audit in conformity with the 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.

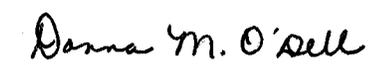
**Awards.** The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently 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, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

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, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2008, 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 important for 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, 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  
December 16, 2008

## Management's Discussion and Analysis

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**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, 2008. 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 \$35,156,313 (total net assets). Of this amount \$14,902,116 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The Governmental activities net assets were \$11,832,761 of the City's total, an increase of \$1,955,453 or 19.8% in comparison with net assets of \$9,877,308 at June 30, 2007.
- Net assets of the City's various business type activities totaled \$23,323,552. This is an increase of \$648,355 or 2.9% from net assets reported on June 30, 2007.
- The School Board's assets exceeded its liabilities by \$8,655,900, an increase of \$1,241,554 when compared to the amount on June 30, 2007. However, \$6,499,987 of this amount reflects the School Board's net investment in capital assets leaving \$2,155,913 in unrestricted assets available to meet ongoing obligations. This is an increase of \$242,412 or 12.7% in the School Board's unrestricted assets for the fiscal year.

#### Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources by \$1,812,112 (Exhibit 4) after making direct contributions totaling \$6,542,349 to the School Board. An additional \$3,483,728 was expended from the Meals Tax Fund used to retire School related debt. Another \$527,694 was expended from the Capital Reserve Fund. A total of \$10,553,771 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 \$5,171,992, which is an increase of \$1,812,112 in comparison with the prior fiscal year.
- At the close of the current fiscal year, the unreserved fund balance for the general fund was \$3,666,122 or 12.8% of total general fund expenditures.
- The combined long-term Governmental obligations decreased \$1,141,368 or 11% 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 FY2008, assets exceeded liabilities by \$35,156,313 at the close of the fiscal year as presented in the Table below. This was an increase of \$2,603,808 or 8% over the FY2007 closing amount of \$32,552,505.

**City of Martinsville, Virginia**  
**Schedule of Assets, Liabilities and net Assets**  
**Governmental and Business-Type Activities**  
**For the Years Ended June 30, 2008 and 2007**

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 8,114,626	\$ 6,638,290	\$ 13,935,696	\$ 14,607,667	\$ 22,050,322	\$ 21,245,957
Capital assets	<u>18,229,829</u>	<u>19,248,617</u>	<u>14,934,394</u>	<u>14,643,741</u>	<u>33,164,223</u>	<u>33,892,358</u>
Total assets	<u>\$ 26,344,455</u>	<u>\$ 25,886,907</u>	<u>\$ 28,870,090</u>	<u>\$ 29,251,408</u>	<u>\$ 55,214,545</u>	<u>\$ 55,138,315</u>
Long-term liabilities outstanding	\$ 12,253,217	\$ 13,386,285	\$ 4,539,716	\$ 3,089,251	\$ 16,792,933	\$ 16,475,536
Current liabilities	<u>2,258,477</u>	<u>2,623,314</u>	<u>1,006,822</u>	<u>3,786,961</u>	<u>3,265,299</u>	<u>6,410,275</u>
Total liabilities	<u>\$ 14,511,694</u>	<u>\$ 16,009,599</u>	<u>\$ 5,546,538</u>	<u>\$ 6,876,212</u>	<u>\$ 20,058,232</u>	<u>\$ 22,885,811</u>
Net Assets:						
Invested in capital assets, net of related debt	\$ 5,319,803	\$ 5,142,385	\$ 14,934,394	\$ 14,643,741	\$ 20,254,197	\$ 19,786,126
Unrestricted	<u>6,512,958</u>	<u>4,734,923</u>	<u>8,389,158</u>	<u>8,031,456</u>	<u>14,902,116</u>	<u>12,766,379</u>
Total net assets	<u>\$ 11,832,761</u>	<u>\$ 9,877,308</u>	<u>\$ 23,323,552</u>	<u>\$ 22,675,197</u>	<u>\$ 35,156,313</u>	<u>\$ 32,552,505</u>

At the end of FY2008, the City's investment in capital assets, net of related debt is \$20,254,197 and represents 57.6% 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 \$5,319,803.

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 \$14,902,116, or 42.4% of total assets, may be used to meet the government's ongoing obligations.

## Government-wide Financial Analysis (Continued)

Governmental Activities - Governmental activities increased Martinsville City's net assets by \$1,955,453. The key elements of this increase are found in exhibit 5. There were two primary reasons for this increase (1) the retirement of debt exceeded the issuance of debt by \$1,196,206; (2) the fund balance increase by \$1,812,112.

**City of Martinsville, Virginia**  
**Changes in Net Assets**  
**Governmental and Business-Type Activities**  
**For the Years Ended June 30, 2008 and 2007**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 878,170	\$ 907,121	\$ 26,183,530	\$ 24,195,952	\$ 27,061,700	\$ 25,103,073
Operating grants and contributions	10,426,431	9,831,458	-	48,003	10,426,431	9,879,461
Capital Grants and contributions	647,121	834,435	-	-	647,121	834,435
General revenues:						
General property taxes	9,202,010	8,759,342	-	-	9,202,010	8,759,342
Other local taxes	7,847,713	7,860,320	-	-	7,847,713	7,860,320
Commonwealth non-categorical aid	724,000	734,180	-	-	724,000	734,180
Other general revenues	1,290,104	1,781,079	125,885	187,327	1,415,989	1,968,406
<b>Total Revenues:</b>	<b>\$ 31,015,549</b>	<b>\$ 30,707,935</b>	<b>\$ 26,309,415</b>	<b>\$ 24,431,282</b>	<b>\$ 57,324,964</b>	<b>\$ 55,139,217</b>
Expenses:						
General government administration	\$ 3,632,533	\$ 3,163,344	\$ -	\$ -	\$ 3,632,533	\$ 3,163,344
Judicial administration	1,907,359	1,767,723	-	-	1,907,359	1,767,723
Public safety	9,397,114	9,048,222	-	-	9,397,114	9,048,222
Public works	4,210,661	4,399,867	-	-	4,210,661	4,399,867
Health and welfare	502,245	577,782	-	-	502,245	577,782
Education	7,834,905	7,418,547	-	-	7,834,905	7,418,547
Parks, recreation, and cultural	1,740,767	1,486,711	-	-	1,740,767	1,486,711
Community development	3,005,045	4,303,337	-	-	3,005,045	4,303,337
Interest on long-term debt	313,246	511,628	-	-	313,246	511,628
Electric	-	-	14,386,289	14,000,303	14,386,289	14,000,303
Water	-	-	2,014,138	1,873,437	2,014,138	1,873,437
Sewer	-	-	2,818,953	2,775,866	2,818,953	2,775,866
Refuse collection/landfill	-	-	2,957,901	1,289,533	2,957,901	1,289,533
<b>Total Expenses:</b>	<b>\$ 32,543,875</b>	<b>\$ 32,677,161</b>	<b>\$ 22,177,281</b>	<b>\$ 19,939,139</b>	<b>\$ 54,721,156</b>	<b>\$ 52,616,300</b>
Increase in net assets before transfers	\$ (1,528,326)	\$ (1,969,226)	\$ 4,132,134	\$ 4,492,143	\$ 2,603,808	\$ 2,522,917
Transfers	3,483,779	4,392,215	(3,483,779)	(4,392,215)	-	-
<b>Increase in net assets</b>	<b>\$ 1,955,453</b>	<b>\$ 2,422,989</b>	<b>\$ 648,355</b>	<b>\$ 99,928</b>	<b>\$ 2,603,808</b>	<b>\$ 2,522,917</b>
Net assets - beginning	9,877,308	7,454,319	22,675,197	22,575,269	32,552,505	30,029,588
<b>Net assets - ending</b>	<b>\$ 11,832,761</b>	<b>\$ 9,877,308</b>	<b>\$ 23,323,552</b>	<b>\$ 22,675,197</b>	<b>\$ 35,156,313</b>	<b>\$ 32,552,505</b>

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

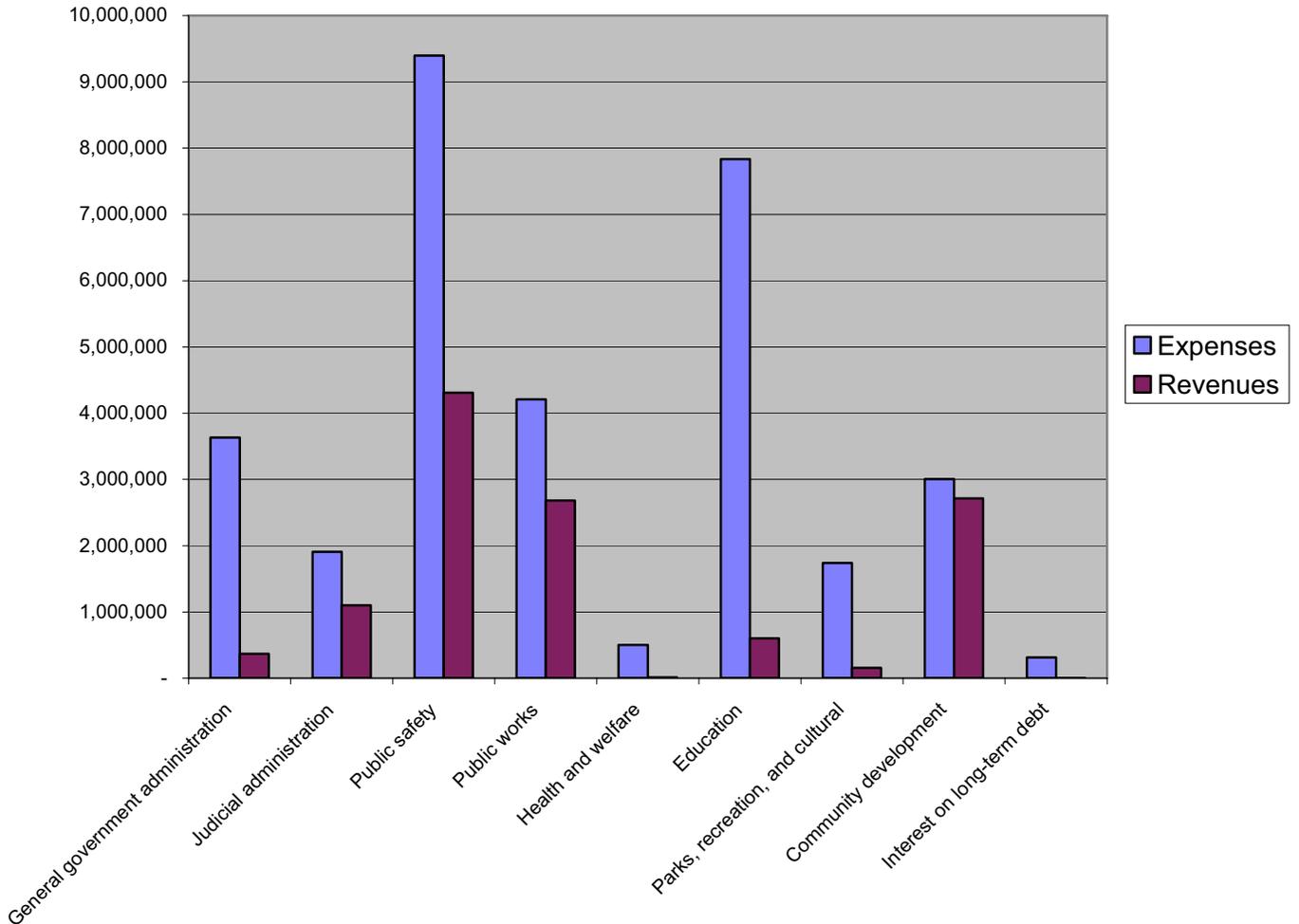
Revenues from governmental activities totaled \$31,015,549 with operating grants and contributions (33.6%), general property taxes (29.7%), and other local taxes (25.3%) comprising 88.6% of the City’s revenues. Expenses for public safety (28.9%), education (24.1%), community development (9.2%), public works (12.9%) and general government administration (11.2%), account for 86.3% of total governmental expenses of \$32,543,875.

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

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

Expenses	Revenues
3,632,533	368,547
1,907,359	1,101,220
9,397,114	4,309,649
4,210,661	2,682,316
502,245	13,996
7,834,905	602,774
1,740,767	157,430
3,005,045	2,715,790
313,246	-

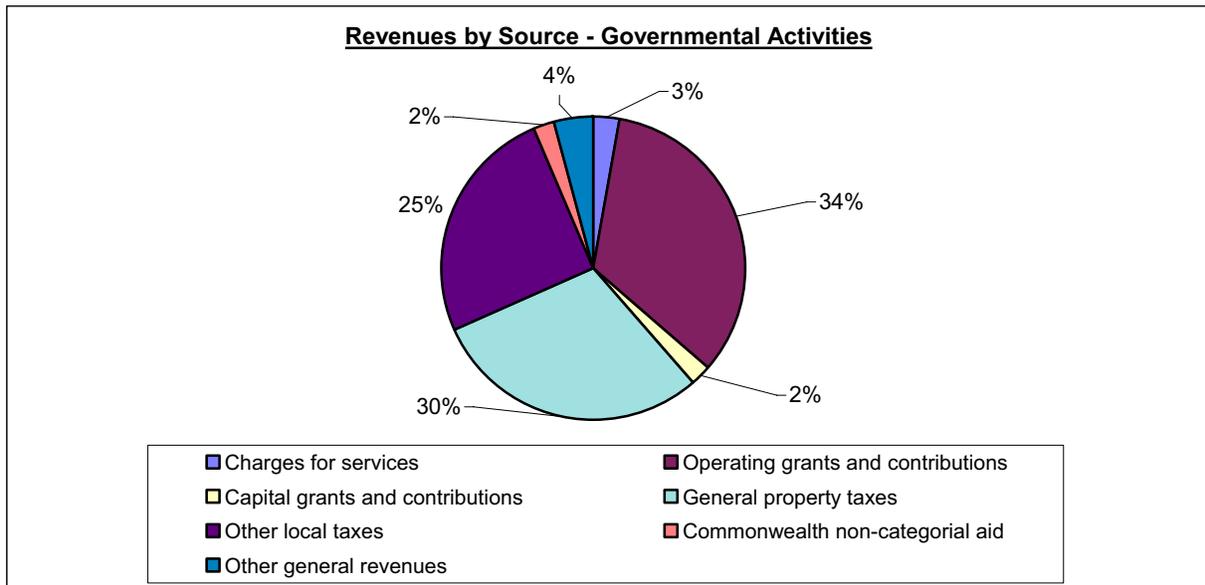
**Expenses and Program Revenue - Governmental Activities**



## Government-wide Financial Analysis: (Continued)

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

Charges for services	878,170
Operating grants and contributions	10,426,431
Capital grants and contributions	647,121
General property taxes	9,202,010
Other local taxes	7,847,713
Commonwealth non-categorical aid	724,000
Other general revenues	1,290,104



Business-type Activities increased the City's net assets by \$648,355 even after deducting \$3,483,779 in transfers to the General and Capital Reserve Funds. Transfers decreased \$908,436 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 \$5,171,992, an increase of \$1,812,112 when compared to the prior year. Ninety-seven percent (\$5,017,893) 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)**

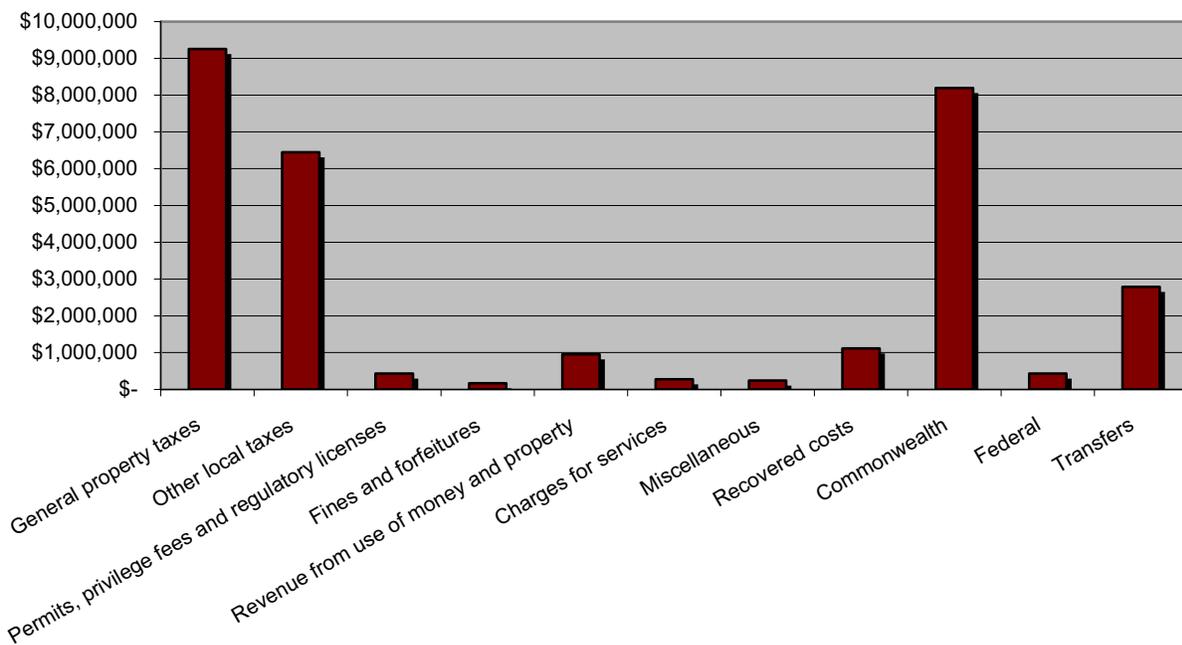
The General Fund is the operating fund of the City. The General Fund reports a fund balance at June 30, 2008 of \$3,820,221. This is an increase from the prior year of \$1,584,652. The General Fund's deficiency of revenues over expenditures in the current year (\$1,203,105) decreased by \$376,434 in FY 08 compared to (\$1,579,539) FY 07. The transfer amounts into the General Fund of \$2,787,757 decreased by \$969,846 compared to FY07. There were no transfers out of the General Fund in the current year compared to \$1,050,625 in FY07. Ninety-six percent or \$3,666,122 of the total fund balance is unreserved, an increase of \$1,584,652 from June 30, 2007. 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 12.7% of total General Fund expenditures, while total fund balance is 13.3% of that same amount.

**General Fund Revenues and Other Sources By Category**

The following graph depicts General Fund revenues and other sources by categories. Total revenues and other sources are \$30,294,673 including transfers into the fund of \$2,787,757.

General property taxes	\$	9,252,784
Other local taxes		6,444,582
Permits, privilege fees and regulatory licenses		432,554
Fines and forfeitures		167,266
Revenue from use of money and property		952,502
Charges for services		278,350
Miscellaneous		240,128
Recovered costs		1,113,309
Commonwealth		8,193,726
Federal		431,715
Transfers		2,787,757

**General Fund Revenues and Other Sources By Category**

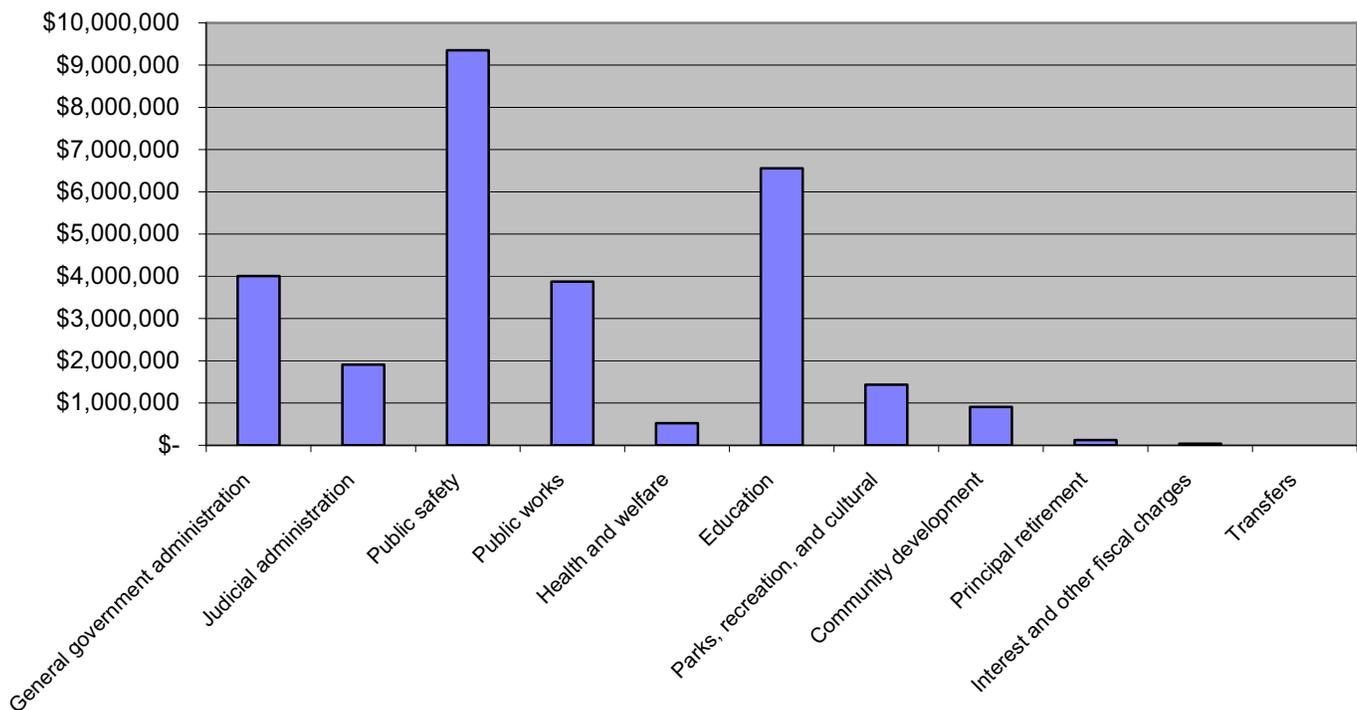


**General Fund Revenues and Other Sources By Category: (Continued)**

The graph below displays General Fund expenditures and other uses by category. Total expenditures and uses are \$28,710,021. There were no transfers out of the fund in the current year.

General government administration	\$ 4,003,551
Judicial administration	1,907,589
Public safety	9,350,983
Public works	3,874,172
Health and welfare	521,146
Education	6,555,024
Parks, recreation, and cultural	1,431,038
Community development	904,616
Principal retirement	125,410
Interest and other fiscal charges	36,492
Transfers	-

**General Fund Expenditures and Other Sources By Category**



**Proprietary funds** - reported combined ending net assets of \$23,323,552, an increase of \$648,355 in comparison with the amount reported on June 30, 2007. The Electric Fund increased \$1,907,687, and the Water Fund increased \$275,843. The Refuse Fund experienced a decrease of \$1,484,778 and the Sewer Fund decreased \$50,397.

The decrease in the Sewer Fund was caused by transferring an amount from the fund greater than its Operating Income. The decrease in the Refuse Fund was caused by Operating Expenses greater than its Operating Income, due to the closure of the landfill.

The Enterprise Funds contributed \$3,913,779 in the support of other City operations. Of that amount \$2,787,757 or 71.2% was transferred to the General Fund. The remaining \$1,126,022 or 28.8% 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 \$342,328 or 1.2% while expenditures increased by \$779,942 or 2.6%. The Revenue increases were as follows:

- \$2,980 in Revenue from Use of Money & Property
- \$34,440 in Miscellaneous
- \$24,664 in Recovered costs
- \$195,942 in Intergovernmental Revenues from the Commonwealth
- \$84,302 in Intergovernmental revenues from the Federal Government

The Expenditure amendments were as follows:

- \$89,410 in increases in General government administration
- \$79,600 in increases in Judicial administration
- \$374,912 in increases Public Safety
- \$84,179 in increases in Public Works
- \$145,295 in increases in Parks, Recreation, and Cultural
- \$6,546 in increases in Community development

During the year, revenues exceeded the budget by \$105,554 or .3% and expenditures were less than the budget by \$1,760,116 or 5.8%. The result was a positive variance of \$1,865,670 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, 2008, is \$33,164,223 (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 FY2008 were: continuation of the installation and upgrade of security systems throughout City Hall and Jail facilities; EMS equipment; leaf vacuum; asphalt roller; mobile radios; patrol cars; new ambulance; sludge disposal improvement projects; painting of water tower; knuckle-boom trash loader; 1-ton utility truck; eight school buses; new computer equipment; two pickup trucks; electric line truck; and a vehicle fire simulator.

### City of Martinsville, Virginia Capital Assets For the Years Ended June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 4,379,094	\$ 4,379,094	\$ 683,624	\$ 683,624	\$ 5,062,718	\$ 5,062,718
Construction in Progress			585,362	351,318	585,362	351,318
Buildings/Improvements	14,424,641	15,421,877	3,365,116	3,209,609	17,789,757	18,631,486
Infrastructure	30,513,944	30,321,165	49,636,529	48,794,388	80,150,473	79,115,553
Equipment	7,532,560	6,896,859	6,747,013	6,287,678	14,279,573	13,184,537
Total	\$ 56,850,239	\$ 57,018,995	\$ 61,017,644	\$ 59,326,617	\$ 117,867,883	\$ 116,345,612
Less:						
accumulated depreciation	38,620,410	37,770,378	46,083,250	44,682,876	84,703,660	82,453,254
Net capital assets	\$ 18,229,829	\$ 19,248,617	\$ 14,934,394	\$ 14,643,741	\$ 33,164,223	\$ 33,892,358

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

## Capital Asset and Debt Administration: (Continued)

Long-term debt - At the close of FY2008, Martinsville City had total outstanding obligations of \$18,231,050. Of this amount \$14,230,903 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources, i.e., revenue bonds, landfill closure and post-closure liability, compensated absences, notes payable and capital lease obligations.

During the Fiscal Year the City decreased its long-term obligations by \$2,222,648 or 10.9%. The City's obligations decreased \$4,890,603 while \$1,936,758 in new debt was issued. The debt retired included \$2,500,000 of notes that were consolidated by the new debt issued of \$1,936,758.

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, 2008 the City's ratio of Net General Obligation Debt to Assessed Value was 1.55%. This was a decrease from the previous fiscal year.

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

## Economic Factors Influencing FY2009 Budgets and Tax Rates

With minimal to flat growth in the City's tax base and a strategy of maintaining continued City services, the FY08 budget emphasized streamlining expenses, especially regarding personnel. Management's goal was to reduce personnel through attrition and to evaluate all vacancies on a case-by-case basis. The budget called for a net reduction of eight positions in FY08 alone. Management realizes that this trend cannot continue much more, without a reduction in services, due to the previous fiscal year's budget eliminating another eighteen positions. Over three years, this strategy has cut the City workforce by 30 net FTE positions. No other major budget reductions were made during FY08.

The City faces several major challenges in the FY09 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, 2008 was 11.4%. This was an increase of 3% from the previous year. The City's unemployment rate compares unfavorably to the state's average unemployment rate of 4.2% and the national average of 5.7% 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. Various estimates predict this loss of population to continue.
2. **National recession and continued reductions in state aid** - In a recession that economists estimate to have started in the third quarter of calendar year 2007, the Commonwealth of Virginia reduced its aid-to-localities in the City's FY09 budget. The sum of such budgetary adjustments totaled approximately \$400,000 in various categories including HB 599 Funds (state aid for localities with police departments), elimination of ABC and wine taxes, and numerous, across-the-board reductions. The Governor of Virginia will announce another round of proposed budget reductions for legislators to consider when the General Assembly convenes in the third quarter of FY09. Among the area of highest concern is the fear of major reductions in education funding that the state offers localities.
3. **Increasing landfill tipping fees** - The landfill reached capacity and was closed two fiscal years ago. With the closing of the landfill, the City contracted with a third party to operate a transfer station to haul and dispose of City garbage in another landfill. Although determined to be the most economical way to dispose of garbage, the cost to dispose of such wastes continues to increase over time.

## **Economic Factors Influencing FY2009 Budgets and Tax Rates: (Continued)**

- 4. Increasing cost of purchased power for resale** - The challenges in the Electric Fund are of continued concern. Current laws regarding deregulation have greatly increased our cost to purchase power and have forced the City to be not as competitive as the adjacent power provider. The City purchases power on the wholesale market, at contracted prices, for resale to our customers. Federal law has deregulated electric wholesale market rates, but the Commonwealth has maintained regulation on retail charges. The result has caused the City wholesale rate to be greater than the retail rates charged by the adjacent utility. This forced the City to raise Electric rates charged to our customers by approximately 50% over the last 3 years. The result has been that our rates are around 35% higher than the adjacent utility at the end of FY08. In an effort to offer lower rates over the long-term, the City entered into a partnership with AMP-Ohio for power purchase. The initiative allows the City to purchase power from a portfolio of assets, including coal-fired and hydroelectric, with a long-term commitment. Such prices are believed to be lower than the present method of purchasing all City power on the market solely. As the FY08 audit process is wrapping up, city electric rates and those of the adjoining utility provider are nearing each other as the neighboring utility's rates increase, thus closing the gap. Management believes the change in purchased power strategy will result in more competitive utility rates, and possibly lower power rates for City customers as compared to rates of the adjoining provider.

All these factors were considered in preparing the City's budget for the 2009 fiscal year.

For fiscal year 2009, City Council approved a General Fund Budget of \$30,203,737. The fiscal year 2009 budget maintains the real estate tax rate at \$1.08 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, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 4,366,112	\$ 9,448,157	\$ 13,814,269	\$ 2,835,153
Receivables (net of allowance for uncollectibles):				
Property taxes	474,589	-	474,589	-
Accounts receivable	152,216	3,250,034	3,402,250	74,996
Inventory	2,452,042	921,469	3,373,511	-
Internal balances	(316,036)	316,036	-	-
Due from other governments	985,703	-	985,703	682,637
<b>Total Current Assets</b>	<b>\$ 8,114,626</b>	<b>\$ 13,935,696</b>	<b>\$ 22,050,322</b>	<b>\$ 3,592,786</b>
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land	\$ 4,379,094	\$ 683,624	\$ 5,062,718	\$ 47,172
Buildings and improvements	9,783,368	1,077,529	10,860,897	5,473,840
Equipment	1,916,282	1,825,986	3,742,268	978,975
Construction in progress	-	585,362	585,362	-
Infrastructure	2,151,085	10,761,893	12,912,978	-
<b>Total Capital Assets</b>	<b>\$ 18,229,829</b>	<b>\$ 14,934,394</b>	<b>\$ 33,164,223</b>	<b>\$ 6,499,987</b>
<b>Total Assets</b>	<b>\$ 26,344,455</b>	<b>\$ 28,870,090</b>	<b>\$ 55,214,545</b>	<b>\$ 10,092,773</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 861,955	\$ 723,449	\$ 1,585,404	\$ 1,307,671
Accrued interest payable	210,849	30,928	241,777	-
Unearned revenue	-	-	-	129,202
Current portion of long-term obligations	1,185,673	252,445	1,438,118	-
<b>Total Current Liabilities</b>	<b>\$ 2,258,477</b>	<b>\$ 1,006,822</b>	<b>\$ 3,265,299</b>	<b>\$ 1,436,873</b>
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations	12,253,217	4,539,716	16,792,933	-
<b>Total Liabilities</b>	<b>\$ 14,511,694</b>	<b>\$ 5,546,538</b>	<b>\$ 20,058,232</b>	<b>\$ 1,436,873</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 5,319,803	\$ 14,934,394	\$ 20,254,197	\$ 6,499,987
Unrestricted assets	6,512,958	8,389,158	14,902,116	2,155,913
<b>Total Net Assets</b>	<b>\$ 11,832,761</b>	<b>\$ 23,323,552</b>	<b>\$ 35,156,313</b>	<b>\$ 8,655,900</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 26,344,455</b>	<b>\$ 28,870,090</b>	<b>\$ 55,214,545</b>	<b>\$ 10,092,773</b>

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

**CITY OF MARTINSVILLE, VIRGINIA**

Statement of Activities  
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 3,632,533	\$ 91,900	\$ 276,647	\$ -
Judicial administration	1,907,359	234,672	866,548	-
Public safety	9,397,114	325,242	3,940,060	44,347
Public works	4,210,661	90,879	2,591,437	-
Health and welfare	502,245	-	13,996	-
Education	7,834,905	-	-	602,774
Parks, recreation, and cultural	1,740,767	135,477	21,953	-
Community development	3,005,045	-	2,715,790	-
Interest on long-term debt	313,246	-	-	-
<b>Total governmental activities</b>	<b>\$ 32,543,875</b>	<b>\$ 878,170</b>	<b>\$ 10,426,431</b>	<b>\$ 647,121</b>
Business-type activities:				
Electric	\$ 14,386,289	\$ 17,357,449	\$ -	\$ -
Water	2,014,138	3,639,981	-	-
Sewer	2,818,953	3,815,476	-	-
Refuse collection / landfill	2,957,901	1,370,624	-	-
<b>Total business-type activities</b>	<b>\$ 22,177,281</b>	<b>\$ 26,183,530</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total primary government</b>	<b>\$ 54,721,156</b>	<b>\$ 27,061,700</b>	<b>\$ 10,426,431</b>	<b>\$ 647,121</b>
<b>COMPONENT UNIT:</b>				
School Board	\$ 25,496,559	\$ 578,957	\$ 18,523,979	\$ -

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, as restated  
 Net assets - ending

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

<b>Net (Expense) Revenue and Changes in Net Assets</b>				
<b>Primary Government</b>			<b>Component Unit</b>	
<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>	<b>School Board</b>	<b>Functions/Programs</b>
PRIMARY GOVERNMENT:				
Governmental activities:				
\$ (3,263,986)	\$ -	\$ (3,263,986)	-	General government administration
(806,139)	-	(806,139)	-	Judicial administration
(5,087,465)	-	(5,087,465)	-	Public safety
(1,528,345)	-	(1,528,345)	-	Public works
(488,249)	-	(488,249)	-	Health and welfare
(7,232,131)	-	(7,232,131)	-	Education
(1,583,337)	-	(1,583,337)	-	Parks, recreation, and cultural
(289,255)	-	(289,255)	-	Community development
(313,246)	-	(313,246)	-	Interest on long-term debt
<u>\$ (20,592,153)</u>	<u>\$ -</u>	<u>\$ (20,592,153)</u>	<u>-</u>	Total government activities
Business-type activities:				
\$ -	\$ 2,971,160	\$ 2,971,160	-	Electric
-	1,625,843	1,625,843	-	Water
-	996,523	996,523	-	Sewer
-	(1,587,277)	(1,587,277)	-	Refuse collection / landfill
<u>\$ -</u>	<u>\$ 4,006,249</u>	<u>\$ 4,006,249</u>	<u>-</u>	Total business-type activities
<u>\$ (20,592,153)</u>	<u>\$ 4,006,249</u>	<u>\$ (16,585,904)</u>	<u>-</u>	Total primary government
COMPONENT UNIT:				
			<u>\$ (6,393,623)</u>	School Board
General revenues:				
\$ 9,202,010	\$ -	\$ 9,202,010	-	General property taxes
2,054,229	-	2,054,229	-	Local sales tax
1,837,209	-	1,837,209	-	Business license tax
1,403,131	-	1,403,131	-	Meals tax
749,579	-	749,579	-	Consumer utility tax
1,803,565	-	1,803,565	-	Other local taxes
1,006,575	125,885	1,132,460	42,963	Unrestricted revenues from use of money and property
283,529	-	283,529	526,936	Miscellaneous
724,000	-	724,000	-	Commonwealth of Virginia non-categorical aid
-	-	-	7,065,278	City contribution to the school board, unrestricted
3,483,779	(3,483,779)	-	-	Transfers
<u>\$ 22,547,606</u>	<u>\$ (3,357,894)</u>	<u>\$ 19,189,712</u>	<u>\$ 7,635,177</u>	Total general revenues and transfers
<u>\$ 1,955,453</u>	<u>\$ 648,355</u>	<u>\$ 2,603,808</u>	<u>\$ 1,241,554</u>	Change in net assets
<u>9,877,308</u>	<u>22,675,197</u>	<u>32,552,505</u>	<u>7,414,346</u>	Net assets - beginning, as restated
<u>\$ 11,832,761</u>	<u>\$ 23,323,552</u>	<u>\$ 35,156,313</u>	<u>\$ 8,655,900</u>	Net assets - ending

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## **Fund Financial Statements**

Balance Sheet - Governmental Funds  
At June 30, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,842,204	\$ 1,523,908	\$ 4,366,112
Receivables (net of allowance for uncollectibles):			
Taxes, including penalties	474,589	-	474,589
Accounts	144,803	7,413	152,216
Inventory	659,469	-	659,469
Due from other governmental units	<u>779,410</u>	<u>206,293</u>	<u>985,703</u>
Total assets	<u>\$ 4,900,475</u>	<u>\$ 1,737,614</u>	<u>\$ 6,638,089</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 792,148	\$ 69,807	\$ 861,955
Due to other funds	-	316,036	316,036
Deferred revenue	<u>288,106</u>	<u>-</u>	<u>288,106</u>
Total liabilities	<u>\$ 1,080,254</u>	<u>\$ 385,843</u>	<u>\$ 1,466,097</u>
<b>FUND BALANCES</b>			
Unreserved, designated for:			
Development reserve	\$ 45,037	\$ -	\$ 45,037
Subdivision improvements	20,000	-	20,000
Thoroughfare construction	89,062	-	89,062
Undesignated reported in:			
General fund	3,666,122	-	3,666,122
Special revenue funds	-	516,990	516,990
Capital projects	<u>-</u>	<u>834,781</u>	<u>834,781</u>
Total fund balances	<u>\$ 3,820,221</u>	<u>\$ 1,351,771</u>	<u>\$ 5,171,992</u>
Total liabilities and fund balances	<u>\$ 4,900,475</u>	<u>\$ 1,737,614</u>	<u>\$ 6,638,089</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	5,171,992
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	18,229,829
Inventory of land and buildings held for resale	1,792,573
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(210,849)
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.	288,106
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.	<u>(13,438,890)</u>
Net assets of General Government Activities	<u>\$ 11,832,761</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, 2008

	<u>General</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
General property taxes	\$ 9,252,784	\$ -	\$ 9,252,784
Other local taxes	6,444,582	1,403,131	7,847,713
Permits, privilege fees and regulatory licenses	432,554	-	432,554
Fines and forfeitures	167,266	-	167,266
Revenue from use of money and property	952,502	54,073	1,006,575
Charges for services	278,350	-	278,350
Miscellaneous	240,128	43,401	283,529
Recovered costs	1,113,309	-	1,113,309
Intergovernmental:			
Commonwealth	8,193,726	647,121	8,840,847
Federal	431,715	2,524,990	2,956,705
<b>Total revenues</b>	<b>\$ 27,506,916</b>	<b>\$ 4,672,716</b>	<b>\$ 32,179,632</b>
Expenditures:			
Current:			
General government administration	\$ 4,003,551	\$ 298,887	\$ 4,302,438
Judicial administration	1,907,589	-	1,907,589
Public safety	9,350,983	365,736	9,716,719
Public works	3,874,172	188,404	4,062,576
Health and welfare	521,146	-	521,146
Education	6,555,024	527,694	7,082,718
Parks, recreation, and cultural	1,431,038	291,524	1,722,562
Community development	904,616	2,066,289	2,970,905
Debt service:			
Principal retirement	125,410	3,535,248	3,660,658
Interest and other fiscal charges	36,492	331,948	368,440
<b>Total expenditures</b>	<b>\$ 28,710,021</b>	<b>\$ 7,605,730</b>	<b>\$ 36,315,751</b>
Excess (deficiency) of revenues over expenditures	\$ (1,203,105)	\$ (2,933,014)	\$ (4,136,119)
Other financing sources (uses):			
Issuance of debt	\$ -	\$ 2,464,452	\$ 2,464,452
Transfers in	2,787,757	1,187,988	3,975,745
Transfers (out)	-	(491,966)	(491,966)
<b>Total other financing sources</b>	<b>\$ 2,787,757</b>	<b>\$ 3,160,474</b>	<b>\$ 5,948,231</b>
Changes in fund balances	\$ 1,584,652	\$ 227,460	\$ 1,812,112
Fund balances at beginning of year	2,235,569	1,124,311	3,359,880
Fund balances at end of year	<u>\$ 3,820,221</u>	<u>\$ 1,351,771</u>	<u>\$ 5,171,992</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, 2008

	<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	\$ 1,812,112
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	\$ 519,767
Depreciation expense	<u>(1,015,626)</u> (495,859)
Inventory of land and buildings purchased during the year and held for resale	16,341
Transfer of joint tenancy assets from Primary Government to the Component Unit	(522,929)
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.	(50,774)
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	\$ 663,525
Principal retired on general obligation bonds	198,732
Principal retired on general obligation notes	2,500,000
Principal retired on capital lease obligations	273,403
Principal retired on VPSA subsidy bonds	24,998
Proceeds from indebtedness	<u>(2,464,452)</u> 1,196,206
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	\$ (54,838)
Change in interest payable	<u>55,194</u> <u>356</u>
Change in net assets of governmental activities	\$ <u><u>1,955,453</u></u>

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

Proprietary Funds  
Statement of Net Assets  
At June 30, 2008

ASSETS	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 2,900,090	\$ 52,899	\$ 280,369	\$ 6,214,799	\$ 9,448,157
Receivables (net of allowance for uncollectibles):	2,151,368	476,393	404,280	217,993	3,250,034
Due from other funds	-	-	-	316,036	316,036
Inventory	771,425	150,044	-	-	921,469
Total current assets	<u>\$ 5,822,883</u>	<u>\$ 679,336</u>	<u>\$ 684,649</u>	<u>\$ 6,748,828</u>	<u>\$ 13,935,696</u>
<b>Noncurrent Assets</b>					
Capital assets:					
Land	\$ -	\$ 658,224	\$ 25,400	\$ -	\$ 683,624
Construction in progress	585,362	-	-	-	585,362
Buildings and improvements	586,744	1,403,257	1,069,859	305,256	3,365,116
Equipment	2,569,963	1,315,473	1,346,873	1,514,704	6,747,013
Infrastructure	23,433,068	10,768,416	15,435,045	-	49,636,529
Less accumulated depreciation	<u>(21,002,840)</u>	<u>(9,812,373)</u>	<u>(14,011,347)</u>	<u>(1,256,690)</u>	<u>(46,083,250)</u>
Total capital assets (net of accumulated depreciation)	<u>\$ 6,172,297</u>	<u>\$ 4,332,997</u>	<u>\$ 3,865,830</u>	<u>\$ 563,270</u>	<u>\$ 14,934,394</u>
Total assets	<u>\$ 11,995,180</u>	<u>\$ 5,012,333</u>	<u>\$ 4,550,479</u>	<u>\$ 7,312,098</u>	<u>\$ 28,870,090</u>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 49,222	\$ 168,904	\$ 116,916	\$ 58,328	\$ 393,370
Customers' deposits payable	288,314	41,765	-	-	330,079
Interest payable	-	-	-	30,928	30,928
Current portion of long-term obligations	5,407	6,106	4,896	236,036	252,445
Total current liabilities	<u>\$ 342,943</u>	<u>\$ 216,775</u>	<u>\$ 121,812</u>	<u>\$ 325,292</u>	<u>\$ 1,006,822</u>
<b>Noncurrent liabilities:</b>					
Noncurrent portion of long-term obligations	48,664	54,958	44,060	4,392,035	4,539,716
Total liabilities	<u>\$ 391,607</u>	<u>\$ 271,733</u>	<u>\$ 165,871</u>	<u>\$ 4,717,327</u>	<u>\$ 5,546,538</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 6,172,297	\$ 4,332,997	\$ 3,865,830	\$ 563,270	\$ 14,934,394
Unrestricted assets	5,431,276	407,603	518,778	2,031,501	8,389,158
Total Net Assets	<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>
Total Liabilities and Net Assets	<u>\$ 11,995,180</u>	<u>\$ 5,012,333</u>	<u>\$ 4,550,479</u>	<u>\$ 7,312,098</u>	<u>\$ 28,870,090</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, 2008

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Collection/ Landfill Fund</u>	<u>Total</u>
<b>Operating revenues:</b>					
Charges for services	\$ 17,293,482	\$ 3,540,937	\$ 3,810,030	\$ 1,278,240	\$ 25,922,689
Miscellaneous	<u>63,967</u>	<u>99,044</u>	<u>5,446</u>	<u>92,384</u>	<u>260,841</u>
Total operating revenues	<u>\$ 17,357,449</u>	<u>\$ 3,639,981</u>	<u>\$ 3,815,476</u>	<u>\$ 1,370,624</u>	<u>\$ 26,183,530</u>
<b>Operating expenses:</b>					
Personal services	\$ 567,056	\$ 689,471	\$ 759,641	\$ 181,228	\$ 2,197,396
Fringe benefits	179,626	239,063	274,877	66,066	759,632
Contractual services	317,343	20,201	20,699	373,871	732,114
Other charges	12,801,625	815,193	1,235,237	2,164,156	17,016,211
Depreciation	<u>520,639</u>	<u>250,210</u>	<u>528,499</u>	<u>101,026</u>	<u>1,400,374</u>
Total operating expenses	<u>\$ 14,386,289</u>	<u>\$ 2,014,138</u>	<u>\$ 2,818,953</u>	<u>\$ 2,886,347</u>	<u>\$ 22,105,727</u>
<b>Operating income</b>	<u>\$ 2,971,160</u>	<u>\$ 1,625,843</u>	<u>\$ 996,523</u>	<u>\$ (1,515,723)</u>	<u>\$ 4,077,803</u>
<b>Non-operating revenues (expenses):</b>					
Interest income	\$ -	\$ -	\$ 23,386	\$ 102,499	\$ 125,885
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,554)</u>	<u>(71,554)</u>
Total non-operating revenues (expenses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,386</u>	<u>\$ 30,945</u>	<u>\$ 54,331</u>
<b>Income before transfers</b>	<u>\$ 2,971,160</u>	<u>\$ 1,625,843</u>	<u>\$ 1,019,909</u>	<u>\$ (1,484,778)</u>	<u>\$ 4,132,134</u>
<b>Transfers:</b>					
Transfers in	-	-	-	430,000	430,000
Transfers (out)	<u>(1,063,473)</u>	<u>(1,350,000)</u>	<u>(1,070,306)</u>	<u>(430,000)</u>	<u>(3,913,779)</u>
<b>Changes in net assets</b>	<u>\$ 1,907,687</u>	<u>\$ 275,843</u>	<u>\$ (50,397)</u>	<u>\$ (1,484,778)</u>	<u>\$ 648,355</u>
<b>Net assets at beginning of year</b>	<u>9,695,886</u>	<u>4,464,757</u>	<u>4,435,005</u>	<u>4,079,549</u>	<u>22,675,197</u>
<b>Net assets at end of year</b>	<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>

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

Proprietary Funds  
Statement of Cash Flows  
Year Ended June 30, 2008

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Collection/ Landfill Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers and users	\$ 17,443,277	\$ 3,650,514	\$ 3,849,181	\$ 1,376,044	\$ 26,319,016
Payments to suppliers and other operating expenses	(13,190,676)	(786,431)	(1,222,458)	(2,821,252)	(18,020,817)
Payments to employees (including fringe benefits)	(749,234)	(922,163)	(1,032,093)	(247,295)	(2,950,785)
<b>Net cash provided by operating activities</b>	<u>\$ 3,503,367</u>	<u>\$ 1,941,920</u>	<u>\$ 1,594,630</u>	<u>\$ (1,692,503)</u>	<u>\$ 5,347,414</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	\$ (1,435,374)	\$ (299,529)	\$ (307,442)	\$ (507,960)	\$ (2,550,305)
Retirements of general obligation bonds	-	-	-	(226,900)	(226,900)
Interest paid on debt	-	-	-	(71,554)	(71,554)
Net cash provided (used) by capital and related financing activities	<u>\$ (1,435,374)</u>	<u>\$ (299,529)</u>	<u>\$ (307,442)</u>	<u>\$ (806,414)</u>	<u>\$ (2,848,759)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Transfers	\$ (1,063,473)	\$ (1,350,000)	\$ (1,070,306)	-	\$ (3,483,779)
Due from other funds	-	-	-	683,055	683,055
Due to other funds	-	(239,492)	-	-	(239,492)
Net cash provided (used) by noncapital financing activities	<u>\$ (1,063,473)</u>	<u>\$ (1,589,492)</u>	<u>\$ (1,070,306)</u>	<u>\$ 683,055</u>	<u>\$ (3,040,216)</u>
<b>Cash Flows From Investing Activities:</b>					
Interest income	\$ -	\$ -	\$ 23,387	\$ 102,499	\$ 125,886
<b>Increase in cash and cash equivalents</b>	<u>\$ 1,004,520</u>	<u>\$ 52,899</u>	<u>\$ 240,269</u>	<u>\$ (1,713,363)</u>	<u>\$ (415,675)</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>1,895,570</u>	<u>-</u>	<u>40,100</u>	<u>7,928,162</u>	<u>9,863,832</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 2,900,090</u>	<u>\$ 52,899</u>	<u>\$ 280,369</u>	<u>\$ 6,214,799</u>	<u>\$ 9,448,157</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income	\$ 2,971,160	\$ 1,625,843	\$ 996,523	\$ (1,515,723)	\$ 4,077,803
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	\$ 520,639	\$ 250,210	\$ 528,499	\$ 101,026	\$ 1,400,374
Changes in operating assets and liabilities:					
(Increase) in accounts receivable	63,599	10,008	33,705	5,420	112,732
Increase (decrease) in:					
Accounts and interest payable	(71,708)	48,963	33,478	(281,879)	(271,146)
Accrued leave	(2,552)	6,371	2,425	(1,347)	4,897
Customer deposits	22,229	525	-	-	22,754
Total adjustments	<u>\$ 532,207</u>	<u>\$ 316,077</u>	<u>\$ 598,107</u>	<u>\$ (176,780)</u>	<u>\$ 1,269,611</u>
Net cash provided by operating activities	<u>\$ 3,503,367</u>	<u>\$ 1,941,920</u>	<u>\$ 1,594,630</u>	<u>\$ (1,692,503)</u>	<u>\$ 5,347,414</u>

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

Statement of Fiduciary Net Assets --  
Agency Funds  
At June 30, 2008

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	<b>Agency Funds</b>
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 752,919
Due from other governmental units	<hr/> 6,157
Total assets	\$ <hr/> <hr/> 759,076
<b>LIABILITIES</b>	
Accounts payable	\$ 14,779
Amounts held for others	<hr/> 744,297
Total liabilities	\$ <hr/> <hr/> 759,076

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, 2008

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

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

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

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

### Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's 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, 2008 (Continued)

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

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

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

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the 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, 2008 (Continued)

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

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

*Blended Component Unit.* The City has no blended component units at June 30, 2008.

*Discretely Presented Component Units.* 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, 2008.

#### 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, 2008 (Continued)

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

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

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

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

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, 2008 (Continued)

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### **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, 2008 (Continued)

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

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

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

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

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

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

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

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

#### **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.

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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

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### 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 \$1,309,235 at June 30, 2008 is composed solely of the following:

#### General Fund

Allowance for uncollectible property taxes	\$ <u>416,039</u>
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#### Enterprise Funds

Allowance for uncollectible accounts:

Electric Fund	\$ 573,535
Water Fund	130,869
Sewer Fund	119,394
Refuse Collection/Landfill Fund	<u>69,398</u>

Total allowance for uncollectible accounts – Enterprise funds	\$ <u>893,196</u>
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Total allowance for uncollectible accounts	\$ <u><u>1,309,235</u></u>
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**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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

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**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, 2008 was immaterial.

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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

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### I. Capital Assets: (Continued)

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

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

### J. Compensated Absences

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

### K. Retirement Plan

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

### L. Unbilled Revenue

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

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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### **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, 2008 (Continued)

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

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

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

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

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

---

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, 2008 (Continued)

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

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Expenditures and Appropriations

Expenditures exceed appropriations as follows for the fiscal year ended June 30, 2008:

<u>Fund/ Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess of Expenditures Over Appropriations</u>
City Grants Fund	\$ 165,427	\$ 286,301	\$ (120,874)
School Cafeteria Fund	980,987	1,166,654	(185,667)
School Grants Fund	<u>1,027,252</u>	<u>1,075,008</u>	<u>(47,756)</u>
	<u>\$ 2,173,666</u>	<u>\$ 1,361,309</u>	<u>\$ (354,297)</u>

Fund Deficits

The following funds had deficit balances at June 30, 2008:

City Grants Fund	\$ 138,411
School Grants Fund	21,370

**Note 3—Deposits:**

---

Deposits:

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

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 \$2,835,153 at June 30, 2008.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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### Note 4—Due from Other Governments:

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At June 30, 2008 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	\$ 147,334	\$ -
State Sales Tax	-	222,759
Constitutional officer reimbursements	262,710	-
Indoor plumbing	125,813	-
Highway projects	63,208	-
Armory reimbursement	58,076	-
Miscellaneous grants	15,259	18,973
Comprehensive service	5,667	-
Communication taxes	80,793	-
Federal Government:		
School fund grants	-	440,905
Community development block grant	206,293	-
Other federal grants	20,550	-
Total due from other governments	<u>\$ 985,703</u>	<u>\$ 682,637</u>

### Note 5—Inventory:

---

At June 30, 2008 the City has inventory recorded in the various funds as follows:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Expendable supplies	\$ 659,469	\$ 921,469
Land and building inventory held for resale:		
90 Commercial residential lots held for resale	1,596,011	-
5 Commercial buildings held for resale	196,562	-
Totals	<u>\$ 2,452,042</u>	<u>\$ 921,469</u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (Continued)

**Note 6—Capital Assets:**

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2008:

**Primary Government:**

**Governmental Activities:**

	<b>Adjusted Balance July 1, 2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2008</b>
Capital assets, not being depreciated:				
Land	\$ 4,379,094	\$ -	\$ -	\$ 4,379,094
Capital assets being depreciated:				
Buildings	\$ 5,181,882	\$ 9,185	\$ -	\$ 5,191,067
Equipment	7,021,978	510,582	-	7,532,560
Infrastructure	30,513,944	-	-	30,513,944
Jointly owned assets	9,922,097	-	688,523	9,233,574
Total capital assets being depreciated	<u>\$ 52,639,901</u>	<u>\$ 519,767</u>	<u>\$ 688,523</u>	<u>\$ 52,471,145</u>
Less accumulated depreciation for:				
Buildings	\$ 2,762,977	\$ 100,690	\$ -	\$ 2,863,667
Equipment	5,114,141	502,137	-	5,616,278
Infrastructure	28,179,318	183,541	-	28,362,859
Jointly owned assets	1,713,942	229,258	165,594	1,777,606
Total accumulated depreciation	<u>\$ 37,770,378</u>	<u>\$ 1,015,626</u>	<u>\$ 165,594</u>	<u>\$ 38,620,410</u>
Total capital assets being depreciated, net	<u>\$ 14,869,523</u>	<u>\$ (495,859)</u>	<u>\$ 522,929</u>	<u>\$ 13,850,735</u>
Governmental capital assets, net	<u>\$ 19,248,617</u>	<u>\$ (495,859)</u>	<u>\$ 522,929</u>	<u>\$ 18,229,829</u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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

**Primary Government:**

**Business-Type Activities:**

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Electric Fund:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 585,362	\$ -	\$ 585,362
Capital assets being depreciated:				
Buildings and improvements	\$ 586,744	\$ -	\$ -	\$ 586,744
Equipment	2,376,051	193,912	-	2,569,963
Infrastructure	22,776,968	656,100	-	23,433,068
Total capital assets being depreciated	\$ 25,739,763	\$ 850,012	\$ -	\$ 26,589,775
Less accumulated depreciation for:				
Buildings and improvements	\$ 585,713	\$ 129	\$ -	\$ 585,842
Equipment	1,800,437	113,822	-	1,914,259
Infrastructure	18,096,051	406,688	-	18,502,739
Total accumulated depreciation	\$ 20,482,201	\$ 520,639	\$ -	\$ 21,002,840
Total capital assets being depreciated, net	\$ 5,257,562	\$ 329,373	\$ -	\$ 5,586,935
Electric fund capital assets, net	\$ 5,257,562	\$ 914,735	\$ -	\$ 6,172,297

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (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>
<b>Water Fund:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 658,224	\$ -	\$ -	\$ 658,224
Capital assets being depreciated:				
Buildings and improvements	\$ 1,247,750	\$ 155,507	\$ -	\$ 1,403,257
Equipment	1,272,494	42,979	-	1,315,473
Infrastructure	10,667,373	101,043	-	10,768,416
Total capital assets being depreciated	\$ 13,187,617	\$ 299,529	\$ -	\$ 13,487,146
Less accumulated depreciation for:				
Buildings and improvements	\$ 857,422	\$ 24,146	\$ -	\$ 881,568
Equipment	748,818	59,002	-	807,820
Infrastructure	7,955,923	167,062	-	8,122,985
Total accumulated depreciation	\$ 9,562,163	\$ 250,210	\$ -	\$ 9,812,373
Total capital assets being depreciated, net	\$ 3,625,454	\$ 49,319	\$ -	\$ 3,674,773
Water fund capital assets, net	\$ 4,283,678	\$ 49,319	\$ -	\$ 4,332,997

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (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>
<b>Sewer Fund:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 25,400	\$ -	\$ -	\$ 25,400
Capital assets being depreciated:				
Buildings and improvements	\$ 1,069,859	\$ -	\$ -	\$ 1,069,859
Equipment	1,124,429	222,444	-	1,346,873
Infrastructure	15,350,047	84,998	-	15,435,045
Total capital assets being depreciated	\$ 17,544,335	\$ 307,442	\$ -	\$ 17,851,777
Less accumulated depreciation for:				
Buildings and improvements	\$ 726,282	\$ 20,031	\$ -	\$ 746,313
Equipment	958,327	52,695	-	1,011,022
Infrastructure	11,798,239	455,773	-	12,254,012
Total accumulated depreciation	\$ 13,482,848	\$ 528,499	\$ -	\$ 14,011,347
Total capital assets being depreciated, net	\$ 4,061,487	\$ (221,057)	\$ -	\$ 3,840,430
Sewer fund capital asset, net	\$ 4,086,887	\$ (221,057)	\$ -	\$ 3,865,830

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (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>
<b>Refuse Collection/Landfill Fund:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 351,318	\$ -	\$ 351,318	\$ -
Capital assets, being depreciated:				
Buildings and improvements	\$ 305,256	\$ -	\$ -	\$ 305,256
Equipment	1,514,704	-	-	1,514,704
Total capital assets being depreciated	\$ 1,819,960	\$ -	\$ -	\$ 1,819,960
Less accumulated depreciation for:				
Buildings and improvements	\$ 64,187	\$ 9,679	\$ -	\$ 73,866
Equipment	1,091,477	91,347	-	1,182,824
Total accumulated depreciation	\$ 1,155,664	\$ 101,026	\$ -	\$ 1,256,690
Total capital assets being depreciated, net	\$ 664,296	\$ (101,026)	\$ -	\$ 563,270
Refuse collection/landfill fund capital assets, net	<u>\$ 1,015,614</u>	<u>\$ (101,026)</u>	<u>\$ 351,318</u>	<u>\$ 563,270</u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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

**Discretely Presented Component Unit—School Board:**

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Discretely Presented Component Unit-School Board:</b>				
Capital assets, not being depreciated:				
Land	\$ 47,172	\$ -	\$ -	\$ 47,172
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated	<u>\$ 47,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,172</u>
Capital assets being depreciated:				
Buildings	\$ 7,406,026	\$ 246,316	\$ -	\$ 7,652,342
Equipment	1,637,537	533,194	-	2,170,731
Jointly owned assets	<u>3,970,862</u>	<u>688,523</u>	<u>-</u>	<u>4,659,385</u>
Total capital assets being depreciated	<u>\$ 13,014,425</u>	<u>\$ 1,468,033</u>	<u>\$ -</u>	<u>\$ 14,482,458</u>
Less accumulated depreciation for:				
Buildings	\$ 5,738,257	\$ 208,854	\$ -	\$ 5,947,111
Equipment	1,023,938	167,818	-	1,191,756
Jointly owned assets	<u>725,182</u>	<u>165,594</u>	<u>-</u>	<u>890,776</u>
Total accumulated depreciation	<u>\$ 7,487,377</u>	<u>\$ 542,266</u>	<u>\$ -</u>	<u>\$ 8,029,643</u>
Total capital assets being depreciated, net	<u>\$ 5,527,048</u>	<u>\$ 925,767</u>	<u>\$ -</u>	<u>\$ 6,452,815</u>
School Board capital assets, net	<u>\$ 5,574,220</u>	<u>\$ 925,767</u>	<u>\$ -</u>	<u>\$ 6,499,987</u>

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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

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The following is a summary of depreciation expense for the year ended June 30, 2008:

Governmental activities:

General government	\$	93,581
Judicial administration		1,120
Public safety		283,798
Public works		330,347
Health and welfare		8,647
Education		229,258
Parks, recreation and cultural		18,067
Community development		<u>50,808</u>
Total Governmental activities	\$	<u><u>1,015,626</u></u>

Enterprise activities:

Electric	\$	520,639
Water		250,210
Sewer		528,499
Refuse collection / landfill		<u>101,026</u>
Total Enterprise activities	\$	<u><u>1,400,374</u></u>

Component Unit School Board \$ 376,672 \*

- \* Note accumulated depreciation transferred from the Primary Government to the Component Unit School Board on Jointly owned assets totals \$165,594 for the year ending June 30, 2008 when added to depreciation expense above totals \$542,266 accumulated depreciation previous page.

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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

Interfund transfers for the year ended June 30, 2008, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 2,787,757	\$ -
City grants	-	61,966
Capital reserve	1,187,988	-
Meals tax	-	430,000
Electric	-	1,063,473
Water	-	1,350,000
Sewer	-	1,070,306
Refuse Collection/Landfill	430,000	430,000
	<u>430,000</u>	<u>430,000</u>
Total	\$ <u>4,405,745</u>	\$ <u>4,405,745</u>

Interfund receivables and payable balances relative to working capital loans at June 30, 2008 are presented below:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Primary Government:		
City grants	\$ -	\$ 316,036
Refuse Collection Landfill	316,036	-
	<u>316,036</u>	<u>-</u>
Total	\$ <u>316,036</u>	\$ <u>316,036</u>
Component Unit - School Board		
School Fund	\$ 191,543	\$ -
School Grants	-	191,543
	<u>-</u>	<u>191,543</u>
Total	\$ <u>191,543</u>	\$ <u>191,543</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, 2008 (Continued)

## Note 8—Long-Term Obligations:

### Primary Government:

The following is a summary of change in long-term obligations for the fiscal year ending June 30, 2008:

	<u>Amounts Payable at July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2008</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by City					
Claims, judgments and compensated absences and payable	\$ 474,026	\$ 154,936	\$ 100,098	\$ 528,864	\$ 52,864
G.O. Bonds	3,276,703	-	198,732	3,077,971	204,428
G.O. Note	500,000	-	500,000	-	-
Capital lease obligations	407,432	-	211,516	195,916	104,341
Total incurred by City	<u>\$ 4,658,161</u>	<u>\$ 154,936</u>	<u>\$ 1,010,346</u>	<u>\$ 3,802,751</u>	<u>\$ 361,633</u>
Incurred by School Board:					
State Literary Fund Loans	\$ 7,788,525	\$ -	\$ 663,525	\$ 7,125,000	\$ 625,000
Virginia Public Authority Subsidy Bonds	133,572	1,936,758	24,998	2,045,332	98,766
Capital lease	-	527,694	61,887	465,807	100,274
GO Note	2,000,000	-	2,000,000	-	-
Total incurred by School Board	<u>\$ 9,922,097</u>	<u>\$ 2,464,452</u>	<u>\$ 2,750,410</u>	<u>\$ 9,636,139</u>	<u>\$ 824,040</u>
Total Governmental Obligations	<u>\$ 14,580,258</u>	<u>\$ 2,619,388</u>	<u>\$ 3,760,756</u>	<u>\$ 13,438,890</u>	<u>\$ 1,185,673</u>
Enterprise Obligations:					
Compensated absences	\$ 169,556	\$ 48,567	\$ 43,669	\$ 174,454	\$ 17,445
General obligation bond	2,209,500	-	226,900	1,982,600	235,000
Landfill closure and post- closure costs	3,494,384	-	859,278	2,635,106	-
Total Enterprise Obligations	<u>\$ 5,873,440</u>	<u>\$ 48,567</u>	<u>\$ 1,129,847</u>	<u>\$ 4,792,160</u>	<u>\$ 252,445</u>
Total Primary Government	<u>\$ 20,453,698</u>	<u>\$ 2,667,955</u>	<u>\$ 4,890,603</u>	<u>\$ 18,231,050</u>	<u>\$ 1,438,118</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, 2008 (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
2009	\$ 204,428	\$ 113,206	\$ 104,341	\$ 5,321	\$ 235,000	\$ 68,549
2010	215,151	103,884	91,575	2,013	243,500	60,111
2011	225,900	93,933	-	-	252,200	51,363
2012	235,527	84,488	-	-	261,300	42,301
2013	243,880	75,739	-	-	270,600	32,912
2014	251,945	66,690	-	-	280,300	23,186
2015	259,701	57,352	-	-	290,500	13,106
2016	267,127	47,737	-	-	149,200	2,659
2017	279,098	37,769	-	-	-	-
2018	290,621	27,372	-	-	-	-
2019	296,842	16,649	-	-	-	-
2020	307,751	5,616	-	-	-	-
Total	\$ <u>3,077,971</u>	\$ <u>730,435</u>	\$ <u>195,916</u>	\$ <u>7,334</u>	\$ <u>1,982,600</u>	\$ <u>294,186</u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (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
2009	\$ 625,000	\$ 213,750	\$ 98,766	\$ 120,662	\$ 100,274	17,522
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>7,125,000</u>	\$ <u>1,361,250</u>	\$ <u>2,045,332</u>	\$ <u>1,091,444</u>	\$ <u>465,807</u>	<u>44,113</u>

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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

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

#### **Incurred by City:**

##### General Obligation Bonds:

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

\$ 585,000

\$2,529,764 general obligation refunding series 2005 bonds maturing in various annual installments of \$18,061 to \$307,751 through July 15, 2019, interest payable semi-annually at 3.65%

2,492,971

Total general obligation bonds

\$ 3,077,971

##### 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:

\$127,000 obligation for the purchase of a street sweeper, payable in monthly installments of \$2,296 through January 5, 2009, interest at 3.25%

\$ 15,901

\$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%

180,015

Total capital lease obligations

\$ 195,916

Compensated absences

\$ 528,864

Total Incurred by City

\$ 3,802,751

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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

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

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

##### State Literary Fund Loans:

\$5,000,000 State Literary Fund loan issued January 28, 1997, due in annual principal installments of \$250,000 through 2017, interest payable annually at 3%	\$ 2,250,000
\$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>4,875,000</u>
Total State Literary Fund Loans	<u>\$ 7,125,000</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	\$ 108,574
\$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>1,936,758</u>
Total Virginia Public Authority Subsidy Bonds	<u>\$ 2,045,332</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>465,807</u>
Total Incurred by the School Board	<u>\$ 9,636,139</u>
Total Governmental Obligations	<u><u>\$ 13,438,890</u></u>

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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

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#### Primary Government: (Continued)

##### Enterprise Obligations:

##### General Obligation Bonds:

\$2,000,000 General obligation bond, Series 2005, issued August 28, 2005, payable in various semi-annual installments of principal and interest through July 15, 2015 interest at 3.42%	\$ 1,555,700
\$500,000 general obligation bond, Series 2005, issued August 23, 2006, payable in various semi-annual installments beginning January 15, 2007 through July 15, 2015, interest at 4.08%	<u>426,900</u>
Total general obligation bonds	\$ <u>1,982,600</u>
Compensated absences	\$ 174,454
Landfill closure and postclosure costs	<u>2,635,106</u>
Total enterprise obligations	<u>\$ 4,792,160</u>

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

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State and federal laws and regulations require the City to place a final cover on each phase of its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. In accordance with Statement 18 of the Governmental Accounting Standards Board entitled Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs, the City reported a liability for a portion of these closure and postclosure care costs based on landfill capacity used. The \$2,635,106 reported as landfill closure and postclosure care liability at June 30, 2008 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 2008. 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.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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### **Note 10—Deferred Revenue:**

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Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$417,308 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$288,106 at June 30, 2008.

Discretely Presented School Board – Deferred revenue represented unexpended NASA grant funds totaling \$129,202 at June 30, 2008.

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

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

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

### **Note 12—Litigation:**

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At June 30, 2008, 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:**

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

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

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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### **Note 13—Risk Management: (Continued)**

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

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

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

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

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

The City contributes to the Virginia Retirement System (VRS). 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 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% to sheriffs and if the employer elects, to 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 annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs 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/2007AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their 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 Code of Virginia and approved by the VRS Board of Trustees. The City's and School's non-professional employee contribution rates for the fiscal year ended 2008 were 14.11% and 19.13% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,340,818, \$1,172,469 and \$827,217, to the teacher cost-sharing pool for the fiscal years ended June 30, 2008, 2007 and 2006, respectively and these contributions represented 10.30%, 9.20% and 6.62%, respectively, of current covered payroll.

**C. Annual Pension Cost**

For fiscal year 2008, the City's annual pension cost of \$1,853,584 was equal to the City's required and actual contributions.

For fiscal year 2008, the City School Board's annual pension cost for the Board's non-professional employees was \$124,661 which was equal to the Board's required and actual contributions.

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
City:			
June 30, 2008	\$ 1,853,584	100%	\$ -
June 30, 2007	1,782,882	100%	-
June 30, 2006	1,486,308	100%	-
School Board:			
Non-Professional:			
June 30, 2008	\$ 124,661	100%	\$ -
June 30, 2007	131,312	100%	-
June 30, 2006	108,228	100%	-

(1) Employer portion only

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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

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

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.50% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City's and the City 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 payroll on an open basis within a period of 20 years.

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

As of June 30, 2007, the most recent actuarial valuation date, the City's plan was 79.76% funded. The actuarial accrued liability for benefits was \$71,630,549, and the actuarial value of assets was \$57,135,910, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,494,639. The covered payroll (annual payroll of active employees covered by the plan) was \$12,550,718 and ratio of the UAAL to the covered payroll was 115.49%.

As of June 30, 2007 the most recent actuarial valuation date, the City School Board's plan was 76.96% funded. The actuarial accrued liability for benefits was \$4,049,835, and the actuarial value of assets was \$3,116,729, resulting in an unfunded actuarial accrued liability (UAAL) of \$933,106. The covered payroll (annual payroll of active employees covered by the plan) was \$712,365, and ratio of UAAL to the covered payroll was 130.99%.

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

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (Continued)

**Note 15–Surety Bonds:**

	<b>Amount</b>
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
Pat S. Conrad, 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	
Pat S. Conrad, Treasurer	250,000
Travelers Indemnity Company - Surety	
All School Board employees - blanket bond	
The Aetna Casualty and Surety Company - Surety	
All City employees - blanket bond	
Honesty	100,000
Faithful performance	1,000,000

**Note 16–Fund Balance/Net Asset Adjustments:**

Fund balance and net assets were restated as of July 1, 2007 as follows:

	<b>Fund Balances</b>	<b>Net Assets</b>
	<b>Component-Unit School Board</b>	<b>Governmental Funds</b>
Net assets/fund balances as previously reported	\$ 1,589,562	\$ 7,487,721
Harvest Foundation deferred revenue not recorded	(73,375)	(73,375)
Totals as restated	\$ 1,516,187	\$ 7,414,346

## **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, 2008

	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 9,170,119	\$ 9,170,159	\$ 9,252,784	\$ 82,625
Other local taxes	6,323,612	6,323,612	6,444,582	120,970
Permits, privilege fees and regulatory licenses	399,950	399,950	432,554	32,604
Fines and forfeitures	221,550	221,550	167,266	(54,284)
Revenue from use of money and property	894,595	897,535	952,502	54,967
Charges for services	338,072	338,072	278,350	(59,722)
Miscellaneous	181,046	215,486	240,128	24,642
Recovered costs	1,015,947	1,040,611	1,113,309	72,698
Intergovernmental:				
Commonwealth	8,376,936	8,572,878	8,193,726	(379,152)
Federal	137,207	221,509	431,715	210,206
<b>Total revenues</b>	<b>\$ 27,059,034</b>	<b>\$ 27,401,362</b>	<b>\$ 27,506,916</b>	<b>\$ 105,554</b>
Expenditures:				
Current:				
General government administration	\$ 4,495,236	\$ 4,584,646	\$ 4,003,551	\$ 581,095
Judicial administration	1,905,509	1,985,109	1,907,589	77,520
Public safety	9,182,600	9,557,512	9,350,983	206,529
Public works	4,570,794	4,654,973	3,874,172	780,801
Health and welfare	577,635	577,635	521,146	56,489
Education	6,501,032	6,501,032	6,555,024	(53,992)
Parks, recreation, and cultural	1,255,964	1,401,259	1,431,038	(29,779)
Community development	985,531	992,077	904,616	87,461
Debt service:				
Principal retirement	195,550	195,550	125,410	70,140
Interest and other fiscal charges	20,344	20,344	36,492	(16,148)
<b>Total expenditures</b>	<b>\$ 29,690,195</b>	<b>\$ 30,470,137</b>	<b>\$ 28,710,021</b>	<b>\$ 1,760,116</b>
Excess (deficiency) of revenues over expenditures	\$ (2,631,161)	\$ (3,068,775)	\$ (1,203,105)	\$ 1,865,670
Other financing sources (uses):				
Transfers in	\$ 2,766,188	\$ 2,766,188	\$ 2,787,757	\$ 21,569
Transfers (out)	(108,950)	(108,950)	-	108,950
<b>Total other financing sources (uses)</b>	<b>\$ 2,657,238</b>	<b>\$ 2,657,238</b>	<b>\$ 2,787,757</b>	<b>\$ 130,519</b>
Changes in fund balances	\$ 26,077	\$ (411,537)	\$ 1,584,652	\$ 1,996,189
Fund balances at beginning of year	(26,077)	411,537	2,235,569	1,824,032
Fund balances at end of year	\$ -	\$ -	\$ 3,820,221	\$ 3,820,221

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

**City**

<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Liability (AAL)</b>	<b>Unfunded (Excess Funded) Actuarial Accrued Liability</b>	<b>Funded Ratio (2)/(3)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as % of Payroll (4)/(6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>
6/30/2007	\$ 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%
6/30/2005	48,940,187	62,153,717	13,213,530	78.74%	11,685,820	113.07%

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

<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Liability (AAL)</b>	<b>Unfunded (Excess Funded) Actuarial Accrued Liability</b>	<b>Funded Ratio (2)/(3)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as % of Payroll (4)/(6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>
6/30/2007	\$ 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%
6/30/2005	2,814,331	3,900,362	1,086,031	72.16%	533,720	203.48%

**Other Supplementary Information**

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

Nonmajor Governmental Funds  
 Combining Balance Sheet  
 At June 30, 2008

	Special Revenue Funds		Capital Projects Funds		Total
	City Grants Fund	Housing Choice Fund	Capital Reserve Fund	Meals Tax Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 649,341	\$ 365,975	\$ 508,592	\$ 1,523,908
Accounts receivable	-	6,788	-	625	7,413
Due from other governments	206,293	-	-	-	206,293
Total assets	\$ 206,293	\$ 656,129	\$ 365,975	\$ 509,217	\$ 1,737,614
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	\$ 28,668	\$ 728	\$ 39,215	\$ 1,196	\$ 69,807
Due to other funds	316,036	-	-	-	316,036
Total liabilities	\$ 344,704	\$ 728	\$ 39,215	\$ 1,196	\$ 385,843
<b>FUND BALANCES</b>					
Fund balances:					
Unreserved, undesignated reported in:					
Special revenue funds (deficit)	\$ (138,411)	\$ 655,401	\$ -	\$ -	\$ 516,990
Capital projects	-	-	326,760	508,021	834,781
Total fund balances	\$ (138,411)	\$ 655,401	\$ 326,760	\$ 508,021	\$ 1,351,771
Total liabilities and fund balances	\$ 206,293	\$ 656,129	\$ 365,975	\$ 509,217	\$ 1,737,614

Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2008

	<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>	
<b>Revenues:</b>					
Other local taxes	\$ -	\$ -	\$ -	\$ 1,403,131	\$ 1,403,131
Revenue from use of money and property	49,557	2,133	2,383	-	54,073
Miscellaneous	5,764	8,560	29,077	-	43,401
Intergovernmental:					
Commonwealth	-	-	44,347	602,774	647,121
Federal	706,294	1,818,696	-	-	2,524,990
<b>Total revenues</b>	<b>\$ 761,615</b>	<b>\$ 1,829,389</b>	<b>\$ 75,807</b>	<b>\$ 2,005,905</b>	<b>\$ 4,672,716</b>
<b>Expenditures:</b>					
General government administration	\$ -	\$ -	\$ 263,697	\$ 35,190	\$ 298,887
Public safety	-	-	365,736	-	365,736
Public works	-	-	188,404	-	188,404
Education	-	-	527,694	-	527,694
Parks, recreation, and cultural	-	-	291,524	-	291,524
Planning and community development	286,301	1,779,988	-	-	2,066,289
Debt service:					
Principal retired on debt	-	-	310,882	3,224,366	3,535,248
Interest and fiscal charges	-	-	72,586	259,362	331,948
<b>Total expenditures</b>	<b>\$ 286,301</b>	<b>\$ 1,779,988</b>	<b>\$ 2,020,523</b>	<b>\$ 3,518,918</b>	<b>\$ 7,605,730</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 475,314</b>	<b>\$ 49,401</b>	<b>\$ (1,944,716)</b>	<b>\$ (1,513,013)</b>	<b>\$ (2,933,014)</b>
<b>Other financing sources:</b>					
Issuance of debt	\$ -	\$ -	\$ 527,694	\$ 1,936,758	\$ 2,464,452
Transfers in	-	-	1,187,988	-	1,187,988
Transfers (out)	(61,966)	-	-	(430,000)	(491,966)
<b>Total other financing sources</b>	<b>\$ (61,966)</b>	<b>\$ -</b>	<b>\$ 1,715,682</b>	<b>\$ 1,506,758</b>	<b>\$ 3,160,474</b>
<b>Changes in fund balances</b>	<b>\$ 413,348</b>	<b>\$ 49,401</b>	<b>\$ (229,034)</b>	<b>\$ (6,255)</b>	<b>\$ 227,460</b>
<b>Fund balances at beginning of year</b>	<b>(551,759)</b>	<b>606,000</b>	<b>555,794</b>	<b>514,276</b>	<b>1,124,311</b>
<b>Fund balances at end of year</b>	<b>\$ (138,411)</b>	<b>\$ 655,401</b>	<b>\$ 326,760</b>	<b>\$ 508,021</b>	<b>\$ 1,351,771</b>

CITY OF MARTINSVILLE, VIRGINIA

Nonmajor Governmental Funds  
 Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual  
 Year Ended June 30, 2008

	Special Revenues Funds							
	City Grants Fund				Housing Choice Fund			
	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Revenues:</b>								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	63,967	60,987	49,557	(11,430)	600	600	2,133	1,533
Miscellaneous	-	-	5,764	5,764	5,500	5,500	8,560	3,060
Intergovernmental:								
Commonwealth	-	-	-	-	-	-	-	-
Federal	-	-	706,294	706,294	1,847,295	1,847,295	1,818,696	(28,599)
<b>Total revenues</b>	<b>\$ 63,967</b>	<b>\$ 60,987</b>	<b>\$ 761,615</b>	<b>\$ 700,628</b>	<b>\$ 1,853,395</b>	<b>\$ 1,853,395</b>	<b>\$ 1,829,389</b>	<b>\$ (24,006)</b>
<b>Expenditures:</b>								
General government administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-	-	-	-
Planning and community development	85,450	165,427	286,301	120,874	1,851,592	1,863,004	1,779,988	83,016
Debt service:								
Principal retired on debt	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>\$ 85,450</b>	<b>\$ 165,427</b>	<b>\$ 286,301</b>	<b>\$ 120,874</b>	<b>\$ 1,851,592</b>	<b>\$ 1,863,004</b>	<b>\$ 1,779,988</b>	<b>\$ 83,016</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (21,483)</b>	<b>\$ (104,440)</b>	<b>\$ 475,314</b>	<b>\$ 579,754</b>	<b>\$ 1,803</b>	<b>\$ (9,609)</b>	<b>\$ 49,401</b>	<b>\$ 59,010</b>
<b>Other financing sources (uses):</b>								
Issuance of debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	(61,966)	(61,966)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (61,966)</b>	<b>\$ (61,966)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Changes in fund balances</b>	<b>\$ (21,483)</b>	<b>\$ (104,440)</b>	<b>\$ 413,348</b>	<b>\$ 517,788</b>	<b>\$ 1,803</b>	<b>\$ (9,609)</b>	<b>\$ 49,401</b>	<b>\$ 59,010</b>
<b>Fund balances at beginning of year</b>	<b>21,483</b>	<b>104,440</b>	<b>(551,759)</b>	<b>(656,199)</b>	<b>(1,803)</b>	<b>9,609</b>	<b>606,000</b>	<b>596,391</b>
<b>Fund balances at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (138,411)</b>	<b>\$ (138,411)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 655,401</b>	<b>\$ 655,401</b>

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)
\$ -	\$ -	\$ -	\$ -	\$ 1,433,100	\$ 1,433,100	\$ 1,403,131	\$ (29,969)
20,000	20,000	2,383	(17,617)	-	-	-	-
-	29,077	29,077	-	-	-	-	-
60,000	60,000	44,347	(15,653)	137,510	602,605	602,774	169
-	-	-	-	-	-	-	-
<u>\$ 80,000</u>	<u>\$ 109,077</u>	<u>\$ 75,807</u>	<u>\$ (33,270)</u>	<u>\$ 1,570,610</u>	<u>\$ 2,035,705</u>	<u>\$ 2,005,905</u>	<u>\$ (29,800)</u>
\$ 218,500	\$ 243,552	\$ 263,697	\$ (20,145)	\$ 35,190	\$ 35,190	\$ 35,190	\$ -
258,101	398,889	365,736	33,153	-	-	-	-
207,500	207,500	188,404	19,096	-	-	-	-
-	527,694	527,694	-	-	-	-	-
200,000	400,000	291,524	108,476	-	-	-	-
-	-	-	-	-	-	-	-
310,880	310,880	310,882	(2)	724,366	3,224,366	3,224,366	-
73,007	73,007	72,586	421	381,054	387,554	259,362	(128,192)
<u>\$ 1,267,988</u>	<u>\$ 2,161,522</u>	<u>\$ 2,020,523</u>	<u>\$ 140,999</u>	<u>\$ 1,140,610</u>	<u>\$ 3,647,110</u>	<u>\$ 3,518,918</u>	<u>\$ (128,192)</u>
<u>\$ (1,187,988)</u>	<u>\$ (2,052,445)</u>	<u>\$ (1,944,716)</u>	<u>\$ 107,729</u>	<u>\$ 430,000</u>	<u>\$ (1,611,405)</u>	<u>\$ (1,513,013)</u>	<u>\$ 98,392</u>
\$ -	\$ 527,694	\$ 527,694	\$ -	\$ -	\$ 2,041,405	\$ 1,936,758	\$ (104,647)
1,187,988	1,187,988	1,187,988	-	-	-	-	-
-	-	-	-	(430,000)	(430,000)	(430,000)	-
<u>\$ 1,187,988</u>	<u>\$ 1,715,682</u>	<u>\$ 1,715,682</u>	<u>\$ -</u>	<u>\$ (430,000)</u>	<u>\$ 1,611,405</u>	<u>\$ 1,506,758</u>	<u>\$ (104,647)</u>
\$ -	\$ (336,763)	\$ (229,034)	\$ 107,729	\$ -	\$ -	\$ (6,255)	\$ (6,255)
-	336,763	555,794	219,031	-	-	514,276	514,276
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,760</u>	<u>\$ 326,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,021</u>	<u>\$ 508,021</u>

Combining Schedule of Fiduciary Net Assets -  
 Agency Funds  
 At June 30, 2008

	<u>Insurance Fund</u>	<u>Sheriff's Fund</u>	<u>West Piedmont Business Development Center Fund</u>	<u>Police Academy Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 76,858	\$ 98,942	\$ 106,707	\$ 470,412	\$ 752,919
Due from other governmental units	-	-	-	6,157	6,157
Total assets	<u>\$ 76,858</u>	<u>\$ 98,942</u>	<u>\$ 106,707</u>	<u>\$ 476,569</u>	<u>\$ 759,076</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 8,228	\$ 6,551	\$ 14,779
Amounts held for others	<u>76,858</u>	<u>98,942</u>	<u>98,479</u>	<u>470,018</u>	<u>744,297</u>
Total liabilities	<u>\$ 76,858</u>	<u>\$ 98,942</u>	<u>\$ 106,707</u>	<u>\$ 476,569</u>	<u>\$ 759,076</u>

Agency Funds  
Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2008

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Insurance Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 216,103	\$ 2,937,492	\$ 3,076,737	\$ 76,858
Total assets	<u>\$ 216,103</u>	<u>\$ 2,937,492</u>	<u>\$ 3,076,737</u>	<u>\$ 76,858</u>
Liabilities:				
Amounts held for others	\$ 216,103	\$ 2,937,492	\$ 3,076,737	\$ 76,858
Total liabilities	<u>\$ 216,103</u>	<u>\$ 2,937,492</u>	<u>\$ 3,076,737</u>	<u>\$ 76,858</u>
<b>Sheriff Funds:</b>				
Assets:				
Cash and cash equivalents	\$ 126,321	\$ 299,741	\$ 327,120	\$ 98,942
Total assets	<u>\$ 126,321</u>	<u>\$ 299,741</u>	<u>\$ 327,120</u>	<u>\$ 98,942</u>
Liabilities:				
Amounts held for others	\$ 126,321	\$ 299,741	\$ 327,120	\$ 98,942
Total liabilities	<u>\$ 126,321</u>	<u>\$ 299,741</u>	<u>\$ 327,120</u>	<u>\$ 98,942</u>
<b>WPBDC Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 63,470	\$ 208,289	\$ 165,052	\$ 106,707
Total assets	<u>\$ 63,470</u>	<u>\$ 208,289</u>	<u>\$ 165,052</u>	<u>\$ 106,707</u>
Liabilities:				
Accounts payable	\$ 7,227	\$ 8,228	\$ 7,227	\$ 8,228
Amounts held for others	56,243	200,061	157,825	98,479
Total liabilities	<u>\$ 63,470</u>	<u>\$ 208,289</u>	<u>\$ 165,052</u>	<u>\$ 106,707</u>
<b>Police Academy Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 448,583	\$ 313,581	\$ 291,752	\$ 470,412
Due from other governmental units	-	6,157	-	6,157
Total assets	<u>\$ 448,583</u>	<u>\$ 319,738</u>	<u>\$ 291,752</u>	<u>\$ 476,569</u>
Liabilities:				
Accounts payable	\$ 2,346	\$ 6,551	\$ 2,346	\$ 6,551
Amounts held for others	446,237	313,187	289,406	470,018
Total liabilities	<u>\$ 448,583</u>	<u>\$ 319,738</u>	<u>\$ 291,752</u>	<u>\$ 476,569</u>
<b>Total -- All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 854,477	\$ 3,759,103	\$ 3,860,661	\$ 752,919
Due from other governmental units	-	6,157	-	6,157
Total assets	<u>\$ 854,477</u>	<u>\$ 3,765,260</u>	<u>\$ 3,860,661</u>	<u>\$ 759,076</u>
Liabilities:				
Accounts payable	\$ 9,573	\$ 14,779	\$ 9,573	\$ 14,779
Amounts held for others	844,904	3,750,481	3,851,088	744,297
Total liabilities	<u>\$ 854,477</u>	<u>\$ 3,765,260</u>	<u>\$ 3,860,661</u>	<u>\$ 759,076</u>

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**Discretely Presented Component Unit—School Board**

Combining Balance Sheet  
Discretely Presented Component Unit -- School Board  
At June 30, 2008

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>School Grants Fund</u>	<u>Totals</u>
<b>ASSETS</b>				
Assets:				
Cash and cash equivalents	\$ 2,475,098	\$ 360,055	\$ -	\$ 2,835,153
Accounts receivable	61,443	13,553	-	74,996
Due from other governmental units	353,114	108,467	221,056	682,637
Due from other funds	191,543	-	-	191,543
	<u>3,081,198</u>	<u>482,075</u>	<u>221,056</u>	<u>3,784,329</u>
Total assets	<u>\$ 3,081,198</u>	<u>\$ 482,075</u>	<u>\$ 221,056</u>	<u>\$ 3,784,329</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 306,627	\$ 13,953	\$ -	\$ 320,580
Deferred revenue	129,202	-	-	129,202
Accrued liabilities	912,989	23,219	50,883	987,091
Due to other funds	-	-	191,543	191,543
	<u>1,348,818</u>	<u>37,172</u>	<u>242,426</u>	<u>1,628,416</u>
Total liabilities	<u>\$ 1,348,818</u>	<u>\$ 37,172</u>	<u>\$ 242,426</u>	<u>\$ 1,628,416</u>
<b>FUND BALANCES</b>				
Unreserved:				
Undesignated (deficit)	\$ 1,732,380	\$ 444,903	\$ (21,370)	\$ 2,155,913
	<u>1,732,380</u>	<u>444,903</u>	<u>(21,370)</u>	<u>2,155,913</u>
Total fund balances	<u>\$ 1,732,380</u>	<u>\$ 444,903</u>	<u>\$ (21,370)</u>	<u>\$ 2,155,913</u>
Total liabilities and fund balances	<u>\$ 3,081,198</u>	<u>\$ 482,075</u>	<u>\$ 221,056</u>	<u>3,784,329</u>

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

Total Fund balances, above	2,155,913
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	<u>6,499,987</u>
Net assets of General Government Activities	<u>\$ 8,655,900</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2008

	<b>School Operating Fund</b>	<b>School Cafeteria Fund</b>	<b>School Grants Fund</b>	<b>Total</b>
<b>Revenues:</b>				
Revenue from use of money and property	\$ 34,316	\$ 8,647	\$ -	\$ 42,963
Charges for services	113,342	465,615	-	578,957
Miscellaneous	490,443	-	36,493	526,936
Recovered costs	78,282	-	-	78,282
Intergovernmental:				
Local government	6,542,349	-	-	6,542,349
Commonwealth	15,681,901	20,895	-	15,702,796
Federal	1,011,577	750,195	1,059,411	2,821,183
	<u>23,952,210</u>	<u>1,245,352</u>	<u>1,095,904</u>	<u>26,293,466</u>
Total revenues	\$ 23,952,210	\$ 1,245,352	\$ 1,095,904	\$ 26,293,466
<b>Expenditures:</b>				
Current:				
Education	\$ 23,736,017	\$ 1,166,654	\$ 1,075,008	\$ 25,977,679
Total expenditures	\$ 23,736,017	\$ 1,166,654	\$ 1,075,008	\$ 25,977,679
<b>Changes in fund balances</b>	\$ 216,193	\$ 78,698	\$ 20,896	\$ 315,787
<b>Fund balances at beginning of year, as restated</b>	<u>1,516,187</u>	<u>366,205</u>	<u>(42,266)</u>	<u>1,840,126</u>
<b>Fund balances at end of year</b>	<u>\$ 1,732,380</u>	<u>\$ 444,903</u>	<u>\$ (21,370)</u>	<u>\$ 2,155,913</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, 2008

	<b>School Operating Fund</b>			<b>Variance From Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	
<b>Revenues:</b>				
Revenue from use of money and property	\$ 11,000	\$ 63,107	\$ 34,316	\$ (28,791)
Charges for services	35,000	53,026	113,342	60,316
Miscellaneous	-	446,109	490,443	44,334
Recovered costs	-	59,458	78,282	18,824
Intergovernmental:				
Local government	6,488,357	6,669,672	6,542,349	(127,323)
Commonwealth	15,498,897	15,586,637	15,681,901	95,264
Federal	787,148	1,042,715	1,011,577	(31,138)
<b>Total revenues</b>	<b>\$ 22,820,402</b>	<b>\$ 23,920,724</b>	<b>\$ 23,952,210</b>	<b>\$ 31,486</b>
<b>Expenditures:</b>				
Current:				
Education	\$ 22,820,402	\$ 23,920,724	\$ 23,736,017	\$ 184,707
<b>Total expenditures</b>	<b>\$ 22,820,402</b>	<b>\$ 23,920,724</b>	<b>\$ 23,736,017</b>	<b>\$ 184,707</b>
<b>Changes in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 216,193</b>	<b>\$ 216,193</b>
<b>Fund balances at beginning of year, as restated</b>	<b>-</b>	<b>-</b>	<b>1,516,187</b>	<b>1,516,187</b>
<b>Fund balances at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,732,380</b>	<b>\$ 1,732,380</b>

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)
\$ 8,500	\$ 8,500	\$ 8,647	\$ 147	\$ -	\$ -	\$ -	\$ -
376,000	376,000	465,615	89,615	-	-	-	-
-	-	-	-	-	15,000	36,493	21,493
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
16,833	16,833	20,895	4,062	-	-	-	-
579,654	579,654	750,195	170,541	-	1,012,252	1,059,411	47,159
<u>\$ 980,987</u>	<u>\$ 980,987</u>	<u>\$ 1,245,352</u>	<u>\$ 264,365</u>	<u>\$ -</u>	<u>\$ 1,027,252</u>	<u>\$ 1,095,904</u>	<u>\$ 68,652</u>
<u>\$ 980,987</u>	<u>\$ 980,987</u>	<u>\$ 1,166,654</u>	<u>\$ (185,667)</u>	<u>\$ -</u>	<u>\$ 1,027,252</u>	<u>\$ 1,075,008</u>	<u>\$ (47,756)</u>
<u>\$ 980,987</u>	<u>\$ 980,987</u>	<u>\$ 1,166,654</u>	<u>\$ (185,667)</u>	<u>\$ -</u>	<u>\$ 1,027,252</u>	<u>\$ 1,075,008</u>	<u>\$ (47,756)</u>
\$ -	\$ -	\$ 78,698	\$ 78,698	\$ -	\$ -	\$ 20,896	\$ 20,896
-	-	366,205	366,205	-	-	(42,266)	(42,266)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 444,903</u>	<u>\$ 444,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,370)</u>	<u>\$ (21,370)</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, 2008

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Net changes in fund balances - total governmental funds \$ 315,787

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	779,510
Depreciation expense	(376,672)

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.

522,929

Changes in net assets of governmental activities \$ 1,241,554

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

## **Supporting Schedules**

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2008

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government:</b>				
<b>General Fund:</b>				
General property taxes:				
Real property taxes	\$ 7,085,641	\$ 7,085,641	\$ 7,087,481	\$ 1,840
Personal property taxes	747,845	747,845	756,178	8,333
Business equipment	961,633	961,633	1,036,656	75,023
Machinery and tools taxes	230,000	230,000	194,521	(35,479)
Penalties	90,000	90,040	104,912	14,872
Interest and costs	55,000	55,000	73,036	18,036
Total general property taxes	<u>\$ 9,170,119</u>	<u>\$ 9,170,159</u>	<u>\$ 9,252,784</u>	<u>\$ 82,625</u>
Other local taxes:				
Local sales and use taxes	\$ 2,250,000	\$ 2,250,000	\$ 2,054,229	\$ (195,771)
Consumers' utility taxes	762,300	762,300	749,579	(12,721)
Business license tax	1,685,000	1,685,000	1,837,209	152,209
Franchise license taxes	15,000	15,000	15,000	-
Motor vehicle licenses	320,000	320,000	321,523	1,523
Bank franchise tax	213,000	213,000	221,794	8,794
Taxes on recordation and wills	75,000	75,000	79,083	4,083
Grantor tax	15,000	15,000	16,634	1,634
Cigarette tax	145,000	145,000	99,023	(45,977)
Rental tax	3,000	3,000	2,523	(477)
Transient room tax	15,000	15,000	16,811	1,811
Telecommunications tax	825,312	825,312	1,031,174	205,862
Total other local taxes	<u>\$ 6,323,612</u>	<u>\$ 6,323,612</u>	<u>\$ 6,444,582</u>	<u>\$ 120,970</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 2,800	\$ 2,800	\$ 3,924	\$ 1,124
Ambulance Fees	290,000	290,000	298,236	8,236
Other permits and licenses	107,150	107,150	130,394	23,244
Total permits, privilege fees and regulatory licenses	<u>\$ 399,950</u>	<u>\$ 399,950</u>	<u>\$ 432,554</u>	<u>\$ 32,604</u>
Fines and Forfeitures:				
Court fines and forfeitures	\$ 220,000	\$ 220,000	\$ 165,546	\$ (54,454)
Other fines and forfeitures	1,550	1,550	1,720	170
Total fines and forfeitures	<u>\$ 221,550</u>	<u>\$ 221,550</u>	<u>\$ 167,266</u>	<u>\$ (54,284)</u>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Revenue from use of money and property:				
Revenue from use of money	\$ 350,000	\$ 352,100	\$ 293,348	\$ (58,752)
Revenue from use of property	544,595	545,435	659,154	113,719
Total revenue from use of money and property	<u>\$ 894,595</u>	<u>\$ 897,535</u>	<u>\$ 952,502</u>	<u>\$ 54,967</u>
Charges for services:				
Sheriff fees	\$ 3,624	\$ 3,624	\$ 3,625	\$ 1
Courthouse maintenance fees	16,000	16,000	12,870	(3,130)
Court appointed attorney fees	6,000	6,000	7,286	1,286
Court house security fees	36,000	36,000	20,745	(15,255)
Document reproduction fee	3,400	3,400	3,208	(192)
Remote access fee	\$ 3,000	\$ 3,000	\$ 4,362	\$ 1,362
Commonwealth attorney fees	1,600	1,600	1,849	249
Other public safety fees	7,500	7,500	8,355	855
Recreation fees	40,500	40,500	19,849	(20,651)
Prison farm labor / street maintenance	24,000	24,000	24,000	-
Martinsville mustangs fees	154,000	154,000	115,628	(38,372)
Other charges for services	42,448	42,448	56,573	14,125
Total charges for services	<u>\$ 338,072</u>	<u>\$ 338,072</u>	<u>\$ 278,350</u>	<u>\$ (59,722)</u>
Miscellaneous revenue:				
Payment in lieu of tax	\$ 152,946	\$ 152,946	\$ 152,946	\$ -
Other miscellaneous revenue	28,100	62,540	87,182	24,642
Total miscellaneous revenue	<u>\$ 181,046</u>	<u>\$ 215,486</u>	<u>\$ 240,128</u>	<u>\$ 24,642</u>
Recovered costs:				
Boarding of prisoners	\$ 15,000	\$ 15,000	\$ 9,856	\$ (5,144)
WW Moore	30,000	30,000	52,495	22,495
SSI / LIDS	3,000	3,000	4,200	1,200
Juvenile and domestic relations court	850	850	1,350	500
Meals tax administration	35,190	35,190	35,190	-
Street maintenance overhead	56,067	56,067	138,309	82,242
Demolition	1,100	1,100	20	(1,080)
Advance / recovered cost	50,000	63,050	69,029	5,979
Health department	4,000	4,000	-	(4,000)
Juror and witness	7,400	7,400	24,535	17,135
Pay phone commissions	-	-	13	13
Medical co-pay reimbursement	12,000	12,000	6,185	(5,815)
Treasurer	4,000	4,000	5,757	1,757
BCM maintenance	1,100	1,100	-	(1,100)
Project lifesaver	-	-	949	949

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Recovered costs: (Continued)				
DUI reimbursement	\$ -	\$ -	952	\$ 952
Patrick county attorney	87,907	87,907	60,731	(27,176)
Collection expense	9,000	9,000	9,000	-
Billing expense	396,379	396,379	406,718	10,339
Safety expense	82,320	82,320	82,320	-
Communication	124,114	124,114	124,114	-
Central garage	30,320	30,320	30,320	-
Engineering	45,000	45,000	19,124	(25,876)
Senior citizens	4,000	15,614	15,619	5
Social services	10,000	10,000	9,174	(826)
Program income	1,000	1,000	957	(43)
Senior citizens - transportation	3,200	3,200	3,392	192
Fiscal agent fees - regional library	3,000	3,000	3,000	-
Total recovered costs	\$ 1,015,947	\$ 1,040,611	\$ 1,113,309	\$ 72,698
Total revenue from local sources	\$ 18,544,891	\$ 18,606,975	\$ 18,881,475	\$ 274,500
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 9,037	\$ 9,037	\$ 9,037	\$ -
Wine taxes	9,473	9,473	9,473	-
PPTRA	626,428	626,428	626,428	-
Rolling stock tax	8,000	8,000	9,899	1,899
Auto rental tax	45,000	45,000	45,930	930
Recordation tax	19,000	19,000	23,233	4,233
Total noncategorical aid	\$ 716,938	\$ 716,938	\$ 724,000	\$ 7,062
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 481,210	\$ 481,210	\$ 476,519	\$ (4,691)
Sheriff	1,853,436	1,853,436	1,874,486	21,050
Commissioner of the Revenue	119,407	119,407	117,381	(2,026)
Treasurer	102,497	102,497	104,575	2,078
Medical examiner	300	300	-	(300)
Registrar/electoral board	49,504	59,246	54,691	(4,555)
Clerk of the circuit court	278,668	342,244	320,352	(21,892)
Total shared expenses	\$ 2,885,022	\$ 2,958,340	\$ 2,948,004	\$ (10,336)

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Senior citizens	\$ 11,000	\$ 11,000	\$ 10,996	\$ (4)
Confiscated assets	-	1,435	2,236	801
Victim witness	69,677	69,677	13,935	(55,742)
House Bill # 599 - police	1,053,543	1,053,543	1,000,553	(52,990)
EMS two for life	9,500	18,036	18,300	264
Fire grant	37,000	40,638	40,638	-
Street maintenance	2,502,256	2,502,256	2,547,283	45,027
Jail per diem	430,000	430,000	458,147	28,147
Indoor plumbing	349,000	349,000	190,800	(158,200)
Comprehensive services	-	-	44,154	44,154
Other categorical aid	313,000	422,015	194,680	(227,335)
Total other categorical aid	\$ 4,774,976	\$ 4,897,600	\$ 4,521,722	\$ (375,878)
Total categorical aid	\$ 7,659,998	\$ 7,855,940	\$ 7,469,726	\$ (386,214)
Total revenue from the Commonwealth	\$ 8,376,936	\$ 8,572,878	\$ 8,193,726	\$ (379,152)
Revenue from the federal government:				
Categorical aid:				
Victim witness	\$ -	\$ -	\$ 55,742	\$ 55,742
Confiscated assets	75,000	113,269	113,269	-
DMV grant - police	-	28,874	17,690	(11,184)
Senior citizens	21,500	23,300	21,953	(1,347)
Fire act grant	29,707	29,707	27,928	(1,779)
SCAAP	-	1,707	3,000	1,293
Indoor plumbing	-	-	166,850	166,850
Vipe overtime grant	11,000	11,000	15,349	4,349
Terrorism	-	13,652	9,934	(3,718)
Total categorical aid	\$ 137,207	\$ 221,509	\$ 431,715	\$ 210,206
Total revenue from the Federal Government	\$ 137,207	\$ 221,509	\$ 431,715	\$ 210,206
<b>Total General Fund</b>	<b>\$ 27,059,034</b>	<b>\$ 27,401,362</b>	<b>\$ 27,506,916</b>	<b>\$ 105,554</b>
<b>Special Revenue Funds:</b>				
<b>Grants Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 4,791	\$ 2,651	\$ 2,719	\$ 68
Revenue from use of property	59,176	58,336	46,838	(11,498)
Total revenue from use of money and property	\$ 63,967	\$ 60,987	\$ 49,557	\$ (11,430)

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>Grants Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Other miscellaneous revenue	\$ -	\$ -	\$ 5,764	\$ 5,764
Total revenue from local sources	<u>\$ 63,967</u>	<u>\$ 60,987</u>	<u>\$ 55,321</u>	<u>\$ (5,666)</u>
Revenue from the federal government:				
Categorical aid:				
CDBG - West Church Corridor improvement	\$ -	\$ -	\$ 80,633	\$ 80,633
Cherry street planning grant	-	-	125,661	125,661
USDA rural development grant	-	-	500,000	500,000
Total revenue from the Federal Government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 706,294</u>	<u>\$ 706,294</u>
<b>Total Grants Fund</b>	<u><u>\$ 63,967</u></u>	<u><u>\$ 60,987</u></u>	<u><u>\$ 761,615</u></u>	<u><u>\$ 700,628</u></u>
<b>Housing Choice Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 600	\$ 600	\$ 2,133	\$ 1,533
Miscellaneous revenue:				
Miscellaneous funds	<u>5,500</u>	<u>5,500</u>	<u>8,560</u>	<u>3,060</u>
Total revenue from local sources	<u>\$ 6,100</u>	<u>\$ 6,100</u>	<u>\$ 10,693</u>	<u>\$ 4,593</u>
Revenue from the federal government:				
Categorical aid:				
Housing assistance	\$ 1,495,748	\$ 1,495,748	\$ 1,419,724	\$ (76,024)
Moderate rehab. assistance	165,691	165,691	187,843	22,152
Other federal assistance	<u>185,856</u>	<u>185,856</u>	<u>211,129</u>	<u>25,273</u>
Total revenue from the Federal Government	<u>\$ 1,847,295</u>	<u>\$ 1,847,295</u>	<u>\$ 1,818,696</u>	<u>\$ (28,599)</u>
<b>Total Housing Choice Fund</b>	<u><u>\$ 1,853,395</u></u>	<u><u>\$ 1,853,395</u></u>	<u><u>\$ 1,829,389</u></u>	<u><u>\$ (24,006)</u></u>
<b>Total Special Revenue Funds</b>	<u><u>\$ 1,917,362</u></u>	<u><u>\$ 1,914,382</u></u>	<u><u>\$ 2,591,004</u></u>	<u><u>\$ 676,622</u></u>
<b>Capital Projects Funds:</b>				
<b>Capital Reserve Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 20,000	\$ 20,000	\$ 2,383	\$ (17,617)
Miscellaneous revenue:				
Miscellaneous	<u>-</u>	<u>29,077</u>	<u>29,077</u>	<u>-</u>
Total revenue from local sources	<u>\$ 20,000</u>	<u>\$ 49,077</u>	<u>\$ 31,460</u>	<u>\$ (17,617)</u>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>Capital Projects Funds: (Continued)</b>				
<b>Capital Reserve Fund:</b>				
Revenue from the Commonwealth:				
Categorical aid:				
Rescue squad assistance	\$ 60,000	\$ 60,000	\$ 44,347	\$ (15,653)
Total revenue from the Commonwealth	\$ 60,000	\$ 60,000	\$ 44,347	\$ (15,653)
<b>Total Capital Reserve Fund</b>	<b>\$ 80,000</b>	<b>\$ 109,077</b>	<b>\$ 75,807</b>	<b>\$ (33,270)</b>
<b>Meals Tax Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Meals taxes	\$ 1,433,100	\$ 1,433,100	\$ 1,403,131	\$ (29,969)
Revenue from the Commonwealth:				
Categorical aid:				
VPSA subsidy	\$ -	\$ 465,095	\$ 465,095	\$ -
School construction	137,510	137,510	137,679	169
Total revenue from the Commonwealth	137,510	602,605	602,774	169
<b>Total Meals Tax Fund</b>	<b>\$ 1,570,610</b>	<b>\$ 2,035,705</b>	<b>\$ 2,005,905</b>	<b>\$ (29,800)</b>
<b>Total Capital Projects Funds</b>	<b>\$ 1,650,610</b>	<b>\$ 2,144,782</b>	<b>\$ 2,081,712</b>	<b>\$ (63,070)</b>
<b>Grand Total Revenues -- Primary Government</b>	<b>\$ 30,627,006</b>	<b>\$ 31,460,526</b>	<b>\$ 32,179,632</b>	<b>\$ 719,106</b>
<b>Component Unit-School Board:</b>				
<b>Governmental Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 11,000	\$ 63,107	\$ 34,316	\$ (28,791)
Charges for services:				
Tuition and other charges for services	35,000	53,026	113,342	60,316
Miscellaneous revenue:				
Miscellaneous revenue	-	446,109	490,443	44,334
Recovered costs:				
Recovered costs	-	59,458	78,282	18,824
Total revenue from local sources	\$ 46,000	\$ 621,700	\$ 716,383	\$ 94,683

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Component Unit-School Board: (Continued)</b>				
<b>Governmental Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenue:				
Revenues from local governments:				
Contribution from City of Martinsville, Virginia	\$ 6,488,357	\$ 6,669,672	\$ 6,542,349	\$ (127,323)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,720,224	\$ 2,720,224	\$ 2,595,417	\$ (124,807)
Basic school aid	7,125,636	7,125,636	7,382,116	256,480
Share of fringe benefits - Fica	444,451	444,451	452,583	8,132
Share of fringe benefits - VRS	664,884	664,884	677,049	12,165
Lottery proceeds	396,045	396,045	406,594	10,549
Regional tuition special education	155,530	155,530	119,070	(36,460)
At risk 4 year olds	120,179	120,179	120,179	-
Vocational SOQ payments	240,147	240,147	244,541	4,394
Special education - basic	991,053	991,053	1,009,186	18,133
At risk students	369,661	369,661	376,513	6,852
Project graduation	-	12,800	18,100	5,300
Remedial education	306,456	306,456	312,063	5,607
Reduced K-3	348,538	348,538	504,667	156,129
Textbooks	179,716	179,716	183,004	3,288
Technology	154,000	154,000	154,000	-
Other state funds	1,282,377	1,357,317	1,126,819	(230,498)
Total revenue from the Commonwealth	\$ 15,498,897	\$ 15,586,637	\$ 15,681,901	\$ 95,264
Revenue from the federal government:				
Categorical aid:				
Vocational education - Carl Perkins	\$ 61,030	\$ 61,030	\$ 60,134	\$ (896)
Special education - pre-school incentive	7,162	7,162	16,514	9,352
Special education - flow through	593,333	600,175	531,200	(68,975)
ROTC instructors	36,995	36,995	45,882	8,887
Gear up grant	-	-	19,970	19,970
NASA program	-	146,500	118,187	(28,313)
21st century grant	-	91,436	103,033	11,597
Blue ridge east tech grant	-	-	17,240	17,240
Workforce investment act	88,628	99,417	99,417	-
Total categorical aid	\$ 787,148	\$ 1,042,715	\$ 1,011,577	\$ (31,138)
Total revenue from the federal government	\$ 787,148	\$ 1,042,715	\$ 1,011,577	\$ (31,138)
<b>Total School Operating Fund</b>	<b>\$ 22,820,402</b>	<b>\$ 23,920,724</b>	<b>\$ 23,952,210</b>	<b>\$ 31,486</b>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Component Unit-School Board: (Continued)</b>				
<b>Governmental Funds: (Continued)</b>				
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 8,500	\$ 8,500	\$ 8,647	\$ 147
Charges for services:				
Cafeteria sales	\$ 376,000	\$ 376,000	\$ 465,615	\$ 89,615
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 16,833	\$ 16,833	\$ 20,895	\$ 4,062
Revenue from the federal government:				
Categorical aid:				
School food	\$ 579,654	\$ 579,654	\$ 750,195	\$ 170,541
<b>Total School Cafeteria Fund</b>	<b>\$ 980,987</b>	<b>\$ 980,987</b>	<b>\$ 1,245,352</b>	<b>\$ 264,365</b>
<b>School Grants Fund:</b>				
Miscellaneous revenue:				
Miscellaneous revenue	-	15,000	36,493	21,493
Revenue from the federal government:				
Categorical aid:				
Title I	\$ -	\$ 742,006	\$ 815,920	\$ 73,914
Title II - teacher quality	-	154,240	133,229	(21,011)
Title II - technology	-	7,284	9,210	1,926
Title V - innovative program	-	6,449	964	(5,485)
Title VI - rural education	-	74,435	76,068	1,633
Drug free schools	-	15,045	12,607	(2,438)
Language acquisition state grant	-	12,793	11,413	(1,380)
Total revenue from the federal government	\$ -	\$ 1,012,252	\$ 1,059,411	\$ 47,159
<b>Total School Grants Fund</b>	<b>\$ -</b>	<b>\$ 1,027,252</b>	<b>\$ 1,095,904</b>	<b>\$ 68,652</b>
<b>Grand Total Revenues--Component Unit - School Board</b>	<b>\$ 23,801,389</b>	<b>\$ 25,928,963</b>	<b>\$ 26,293,466</b>	<b>\$ 364,503</b>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2008

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government:</b>				
<b>General Fund:</b>				
General Government Administration:				
Legislative:				
City council	\$ 43,880	\$ 43,880	\$ 39,254	\$ 4,626
General and Financial Administration:				
Clerk of council	\$ -	\$ 1,105	\$ 1,204	\$ (99)
City attorney	175,424	175,424	146,605	28,819
City manager's office	236,328	239,738	227,102	12,636
Assistant city manager	26,541	26,541	26,603	(62)
Legal services	15,400	15,400	12,464	2,936
Human resources	156,841	159,318	153,096	6,222
Employment services	223,942	223,942	193,708	30,234
Customer services	1,600	1,600	800	800
Communications	123,804	138,804	110,691	28,113
Commissioner of the Revenue	385,955	385,955	375,029	10,926
Assessor	235	235	-	235
Treasurer	271,534	271,534	266,237	5,297
Finance director	99,997	53,645	8,344	45,301
Accounting	198,410	231,190	227,145	4,045
Utility billing	396,379	399,889	406,718	(6,829)
Information services	298,417	300,287	290,728	9,559
Central garage	501,903	501,903	471,967	29,936
Purchasing	232,136	232,136	221,748	10,388
Risk management	175,800	175,800	237,261	(61,461)
General expenses	799,344	865,212	469,868	395,344
Total general and financial administration	\$ 4,319,990	\$ 4,399,658	\$ 3,847,318	\$ 552,340
Board of Elections:				
Electoral board and officials	\$ 28,212	\$ 32,352	\$ 25,514	\$ 6,838
Registrar	103,154	108,756	91,465	17,291
Total board of elections	\$ 131,366	\$ 141,108	\$ 116,979	\$ 24,129
Total general government administration	\$ 4,495,236	\$ 4,584,646	\$ 4,003,551	\$ 581,095
Judicial Administration:				
Courts:				
Circuit court	\$ 83,824	\$ 85,572	\$ 81,535	\$ 4,037
General district court	28,250	28,250	25,190	3,060
Juvenile and domestic relations court	7,830	7,830	6,139	1,691
Clerk of the circuit court	357,649	421,225	357,883	63,342
Sheriff - courts	762,137	772,789	781,491	(8,702)
Total Courts	\$ 1,239,690	\$ 1,315,666	\$ 1,252,238	\$ 63,428

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2008 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Commonwealth Attorney:				
Commonwealth attorney	\$ 596,143	\$ 599,767	\$ 585,597	\$ 14,170
Victim witness program	69,676	69,676	69,754	(78)
Total Commonwealth attorney	<u>\$ 665,819</u>	<u>\$ 669,443</u>	<u>\$ 655,351</u>	<u>\$ 14,092</u>
Total judicial administration	<u>\$ 1,905,509</u>	<u>\$ 1,985,109</u>	<u>\$ 1,907,589</u>	<u>\$ 77,520</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	\$ 3,768,721	\$ 4,045,268	\$ 4,040,050	\$ 5,218
Transportation safety commission	1,500	1,500	178	1,322
E-911 communication center	303,340	303,340	295,451	7,889
Total law enforcement and traffic control	<u>\$ 4,073,561</u>	<u>\$ 4,350,108</u>	<u>\$ 4,335,679</u>	<u>\$ 14,429</u>
Fire and Rescue Services:				
Fire services	\$ 1,809,909	\$ 1,873,593	\$ 1,824,326	\$ 49,267
Emergency medical services	179,265	197,739	143,324	54,415
Total fire and rescue services	<u>\$ 1,989,174</u>	<u>\$ 2,071,332</u>	<u>\$ 1,967,650</u>	<u>\$ 103,682</u>
Correction and Detention:				
Sheriff -corrections	\$ 2,338,498	\$ 2,345,618	\$ 2,288,324	\$ 57,294
Sheriff -jail annex	167,050	168,420	173,514	(5,094)
Probation office	295,702	295,702	293,040	2,662
Total correction and detention	<u>\$ 2,801,250</u>	<u>\$ 2,809,740</u>	<u>\$ 2,754,878</u>	<u>\$ 54,862</u>
Inspections:				
Building and other	\$ 236,294	\$ 241,294	\$ 213,238	\$ 28,056
Other Protection:				
Safety	\$ 82,321	\$ 85,038	\$ 79,538	\$ 5,500
Total other protection	<u>\$ 82,321</u>	<u>\$ 85,038</u>	<u>\$ 79,538</u>	<u>\$ 5,500</u>
Total public safety	<u>\$ 9,182,600</u>	<u>\$ 9,557,512</u>	<u>\$ 9,350,983</u>	<u>\$ 206,529</u>
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Director of public works	\$ 110,437	\$ 110,437	\$ 91,482	\$ 18,955

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2008 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Highways, streets, bridges and sidewalks:				
Engineering	\$ 164,119	\$ 170,677	\$ 169,061	\$ 1,616
Street maintenance	1,530,486	1,560,900	1,357,464	203,436
Street marking and signs	186,026	194,444	177,930	16,514
Traffic signals	362,464	377,741	373,611	4,130
Street cleaning	423,280	440,597	481,141	(40,544)
VDOT reserve	11,580	11,580	244	11,336
Street construction	383,388	385,508	374,249	11,259
Thoroughfare construction	539,435	539,435	74,951	464,484
	<u>\$ 3,711,215</u>	<u>\$ 3,791,319</u>	<u>\$ 3,100,133</u>	<u>\$ 691,186</u>
Total highways, streets, bridges and sidewalks				
Maintenance of buildings and grounds:				
Uptown maintenance	\$ 43,010	\$ 43,010	\$ 43,002	\$ 8
City hall maintenance	454,083	458,158	423,267	34,891
Social services building maintenance	-	-	862	(862)
Indoor Plumbing	352,486	352,486	287,608	64,878
Public health center	10,000	10,000	19,300	(9,300)
	<u>\$ 859,579</u>	<u>\$ 863,654</u>	<u>\$ 774,039</u>	<u>\$ 89,615</u>
Total maintenance of buildings and grounds				
Total public works				
	<u>\$ 4,570,794</u>	<u>\$ 4,654,973</u>	<u>\$ 3,874,172</u>	<u>\$ 780,801</u>
Health and Welfare				
Health:				
Comprehensive services	\$ -	\$ -	\$ 69,296	\$ (69,296)
Contribution to local health department	189,761	189,761	189,761	-
State and local hospitalization	4,968	4,968	4,477	491
	<u>\$ 194,729</u>	<u>\$ 194,729</u>	<u>\$ 263,534</u>	<u>\$ (68,805)</u>
Total health				
Mental Health and Mental Retardation:				
Chapter X board	\$ 51,642	\$ 51,642	\$ 51,642	\$ -
Welfare/Social Services:				
Regional social services board	\$ 331,264	\$ 331,264	\$ 205,970	\$ 125,294
Total welfare/social services				
	<u>\$ 331,264</u>	<u>\$ 331,264</u>	<u>\$ 205,970</u>	<u>\$ 125,294</u>
Total health and welfare				
	<u>\$ 577,635</u>	<u>\$ 577,635</u>	<u>\$ 521,146</u>	<u>\$ 56,489</u>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2008 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Education:				
Contributions to community colleges	\$ 12,675	\$ 12,675	\$ 12,675	\$ -
Contributions to School Board Component Unit	6,488,357	6,488,357	6,542,349	(53,992)
Total education	<u>\$ 6,501,032</u>	<u>\$ 6,501,032</u>	<u>\$ 6,555,024</u>	<u>\$ (53,992)</u>
Parks, Recreation, and Cultural:				
Parks and recreation:				
Leisure services	\$ 183,622	\$ 186,630	\$ 195,155	\$ (8,525)
Park maintenance	287,534	314,851	288,989	25,862
Hooker field	193,697	194,697	248,617	(53,920)
Senior center	184,930	199,144	195,301	3,843
Armory	68,861	168,617	165,656	2,961
Total parks and recreation	<u>\$ 918,644</u>	<u>\$ 1,063,939</u>	<u>\$ 1,093,718</u>	<u>\$ (29,779)</u>
Library:				
Regional library	\$ 337,320	\$ 337,320	\$ 337,320	\$ -
Total parks, recreation and cultural	<u>\$ 1,255,964</u>	<u>\$ 1,401,259</u>	<u>\$ 1,431,038</u>	<u>\$ (29,779)</u>
Community Development:				
Planning and Community Development:				
Housing / community development	\$ 136,886	\$ 140,345	\$ 125,106	\$ 15,239
Miscellaneous development expenses	116,000	116,000	69,726	46,274
Planning and zoning	120,281	123,368	100,042	23,326
Contributions to local organizations	607,864	607,864	605,242	2,622
Total planning and community development	<u>\$ 981,031</u>	<u>\$ 987,577</u>	<u>\$ 900,116</u>	<u>\$ 87,461</u>
Cooperative Extension Program:				
Horticulture and family resources	\$ 4,500	\$ 4,500	\$ 4,500	\$ -
Total community development	<u>\$ 985,531</u>	<u>\$ 992,077</u>	<u>\$ 904,616</u>	<u>\$ 87,461</u>
Debt service:				
Principal retirement	\$ 195,550	\$ 195,550	\$ 125,410	\$ 70,140
Interest and other debt costs	20,344	20,344	36,492	(16,148)
Total debt service	<u>\$ 215,894</u>	<u>\$ 215,894</u>	<u>\$ 161,902</u>	<u>\$ 53,992</u>
<b>Total General Fund</b>	<u><u>\$ 29,690,195</u></u>	<u><u>\$ 30,470,137</u></u>	<u><u>\$ 28,710,021</u></u>	<u><u>\$ 1,760,116</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2008 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>Special Revenue Funds:</b>				
<b>City Grants Fund:</b>				
Planning and Community Development:				
Community development block grant	\$ 85,450	\$ 165,427	\$ 286,301	\$ (120,874)
<b>Total City Grants Fund</b>	<u>\$ 85,450</u>	<u>\$ 165,427</u>	<u>\$ 286,301</u>	<u>\$ (120,874)</u>
<b>Housing Choice Fund:</b>				
Planning and Community Development:				
Housing choice voucher program	\$ 1,851,592	\$ 1,863,004	\$ 1,779,988	\$ 83,016
<b>Total Housing Choice Fund</b>	<u>\$ 1,851,592</u>	<u>\$ 1,863,004</u>	<u>\$ 1,779,988</u>	<u>\$ 83,016</u>
<b>Total Special Revenue Funds</b>	<u>\$ 1,937,042</u>	<u>\$ 2,028,431</u>	<u>\$ 2,066,289</u>	<u>\$ (37,858)</u>
<b>Capital Project Funds:</b>				
<b>Capital Reserve Fund:</b>				
Capital outlays and projects:				
General Government Administration:				
Major tools and equipment	\$ 3,500	\$ 3,500	\$ 3,500	\$ -
Communications equipment	40,000	40,000	33,776	6,224
ADP equipment - information services	130,000	130,000	128,108	1,892
Fiber optic network	25,000	25,000	49,575	(24,575)
Minet - phone system	20,000	45,052	48,738	(3,686)
<b>Total general government administration</b>	<u>\$ 218,500</u>	<u>\$ 243,552</u>	<u>\$ 263,697</u>	<u>\$ (20,145)</u>
<b>Public Safety:</b>				
Law Enforcement and Traffic Control:				
Police department - equipment	17,200	63,875	14,993	48,882
Police department - motor vehicles	72,405	76,430	110,326	(33,896)
<b>Total law enforcement and traffic control</b>	<u>\$ 89,605</u>	<u>\$ 140,305</u>	<u>\$ 125,319</u>	<u>\$ 14,986</u>
Fire and Rescue Services:				
Fire services - equipment	\$ 10,000	\$ 20,000	\$ 19,695	\$ 305
Fire services - motor vehicles	120,000	120,000	112,273	7,727
<b>Total fire and rescue services</b>	<u>\$ 130,000</u>	<u>\$ 140,000</u>	<u>\$ 131,968</u>	<u>\$ 8,032</u>
Correction and Detention:				
Sheriff -corrections - equipment	\$ 38,496	\$ 118,584	\$ 108,449	\$ 10,135
<b>Total correction and detention</b>	<u>\$ 38,496</u>	<u>\$ 118,584</u>	<u>\$ 108,449</u>	<u>\$ 10,135</u>
<b>Total public safety</b>	<u>\$ 258,101</u>	<u>\$ 398,889</u>	<u>\$ 365,736</u>	<u>\$ 33,153</u>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2008 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>Capital Projects Funds: (Continued)</b>				
Public Works:				
Highways, streets, bridges and sidewalks:				
Street construction - equipment	\$ 72,500	\$ 72,500	\$ 61,138	\$ 11,362
Street construction - motor vehicles	135,000	135,000	127,266	7,734
Total public works	<u>\$ 207,500</u>	<u>\$ 207,500</u>	<u>\$ 188,404</u>	<u>\$ 19,096</u>
Education:				
Motor vehicles	\$ -	\$ 527,694	\$ 527,694	\$ -
Total education	<u>\$ -</u>	<u>\$ 527,694</u>	<u>\$ 527,694</u>	<u>\$ -</u>
Parks, Recreation, and Cultural:				
Parks and recreation:				
Demolition	\$ 200,000	\$ 200,000	\$ 91,280	\$ 108,720
Land acquisition	-	200,000	200,244	(244)
Total parks, recreation and cultural	<u>\$ 200,000</u>	<u>\$ 400,000</u>	<u>\$ 291,524</u>	<u>\$ 108,476</u>
Debt service:				
Principal retirement	\$ 310,880	\$ 310,880	\$ 310,882	\$ (2)
Interest and other debt costs	73,007	73,007	72,586	421
Total debt service	<u>\$ 383,887</u>	<u>\$ 383,887</u>	<u>\$ 383,468</u>	<u>\$ 419</u>
<b>Total Capital Reserve Fund</b>	<u><u>\$ 1,267,988</u></u>	<u><u>\$ 2,161,522</u></u>	<u><u>\$ 2,020,523</u></u>	<u><u>\$ 140,999</u></u>
<b>Meals Tax Fund:</b>				
General Government Administration:				
Meals tax administration	\$ 35,190	\$ 35,190	\$ 35,190	\$ -
Debt service:				
Principal retirement	\$ 724,366	\$ 3,224,366	\$ 3,224,366	\$ -
Interest and other debt costs	381,054	387,554	259,362	128,192
Total debt service	<u>\$ 1,105,420</u>	<u>\$ 3,611,920</u>	<u>\$ 3,483,728</u>	<u>\$ 128,192</u>
<b>Total Meals Tax Fund</b>	<u><u>\$ 1,140,610</u></u>	<u><u>\$ 3,647,110</u></u>	<u><u>\$ 3,518,918</u></u>	<u><u>\$ 128,192</u></u>
<b>Total Capital Project Funds</b>	<u><u>\$ 2,408,598</u></u>	<u><u>\$ 5,808,632</u></u>	<u><u>\$ 5,539,441</u></u>	<u><u>\$ 269,191</u></u>
<b>Grand Total Expenditures - Primary Government</b>	<u><u>\$ 34,035,835</u></u>	<u><u>\$ 38,307,200</u></u>	<u><u>\$ 36,315,751</u></u>	<u><u>\$ 1,991,449</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2008 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
<b>Component Unit - School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction	\$ 15,171,754	\$ 15,964,021	\$ 16,346,270	\$ (382,249)
Administration, attendance and health	4,110,007	4,309,456	3,550,610	758,846
Pupil transportation	808,508	841,672	942,521	(100,849)
Operation and maintenance of school plant	<u>2,730,133</u>	<u>2,805,575</u>	<u>2,896,616</u>	<u>(91,041)</u>
Total operating costs	<u>\$ 22,820,402</u>	<u>\$ 23,920,724</u>	<u>\$ 23,736,017</u>	<u>\$ 184,707</u>
Total School Operating Fund	<u><u>\$ 22,820,402</u></u>	<u><u>\$ 23,920,724</u></u>	<u><u>\$ 23,736,017</u></u>	<u><u>\$ 184,707</u></u>
<b>School Cafeteria Fund:</b>				
Education:				
School food services	<u>\$ 980,987</u>	<u>\$ 980,987</u>	<u>\$ 1,166,654</u>	<u>\$ (185,667)</u>
<b>School Grants Fund:</b>				
Education:				
Instruction costs	<u>\$ -</u>	<u>\$ 1,027,252</u>	<u>\$ 1,075,008</u>	<u>\$ (47,756)</u>
Grand Total Expenditures - Component Unit - School Board	<u><u>\$ 23,801,389</u></u>	<u><u>\$ 25,928,963</u></u>	<u><u>\$ 25,977,679</u></u>	<u><u>\$ (48,716)</u></u>

<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
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Governmental Activities Tax Revenues by Source (Modified Accrual Basis of Accountin	6

Revenue Capacity

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

Assessed Value of Taxable Property	7
Property Tax Rates	8
Principal Taxpayers	9
Property Tax Levies and Collections	10

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	11
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	12
Computation of Direct and Overlapping Bonded Debt	13

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	15
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Sources:

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

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities:					
Invested in capital assets, net of related debt	\$ (845,555)	\$ (241,412)	\$ (123,200)	\$ 5,142,385	\$ 5,319,803
Unrestricted	1,785,677	2,367,402	2,152,087	4,734,923	6,512,958
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>
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
Unrestricted	4,475,941	6,682,959	8,413,648	8,031,456	8,389,158
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>
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
Unrestricted	6,261,618	9,050,361	10,565,735	12,766,379	14,902,116
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>

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

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

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

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Business-type activities:					
Charges for services:					
Electric	\$ 10,705,777	\$ 11,796,694	\$ 15,356,098	\$ 16,499,732	\$ 17,357,449
Water	2,163,749	2,213,187	2,575,303	2,998,529	3,639,981
Sewer	2,040,824	2,211,259	2,735,337	3,300,744	3,815,476
Refuse collection / landfill	3,376,948	3,654,213	2,533,568	1,396,947	1,370,624
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
Total primary government program revenues	\$ 20,507,759	\$ 29,148,488	\$ 33,002,998	\$ 35,816,970	\$ 38,135,252
Net (expense) / revenue					
Governmental activities	\$ (27,049,820)	\$ (19,992,294)	\$ (21,836,667)	\$ (21,104,147)	\$ (20,592,153)
Business-type activities	16,617,395	6,574,951	5,731,061	4,304,816	4,006,249
Total primary government net expense	\$ (10,432,425)	\$ (13,417,343)	\$ (16,105,606)	\$ (16,799,331)	\$ (16,585,904)
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
General property taxes	\$ 7,303,536	\$ 7,460,249	\$ 7,677,907	\$ 8,759,342	\$ 9,202,010
Local sales and use taxes	2,048,135	2,020,464	2,145,605	2,279,517	2,054,229
Consumer utility taxes	764,038	769,307	768,590	758,582	749,579
Business license taxes	1,488,635	1,750,980	1,713,541	1,757,733	1,837,209
Meals tax	1,039,988	1,119,338	1,155,170	1,368,860	1,403,131
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
Commonwealth of Virginia non-categorical aid	741,465	669,189	732,396	734,180	724,000
Unrestricted revenues from use of money and property	75,751	659,907	965,674	1,460,400	1,006,575
Miscellaneous	340,160	292,673	246,894	320,679	283,529
Transfers	3,475,613	4,743,334	4,550,493	4,392,215	3,483,779
Total governmental activities	\$ 19,048,965	\$ 21,178,162	\$ 21,739,564	\$ 23,527,136	\$ 22,547,606
Business-type activities:					
Transfers	\$ (3,475,613)	\$ (4,743,334)	\$ (4,550,493)	\$ (4,392,215)	\$ (3,483,779)
Unrestricted revenues from use of money and property	-	-	108,482	187,327	125,885
Total business-type activities	\$ (3,475,613)	\$ (4,743,334)	\$ (4,442,011)	\$ (4,204,888)	\$ (3,357,894)
Total primary government	\$ 15,573,352	\$ 16,434,828	\$ 17,297,553	\$ 19,322,248	\$ 19,189,712
<b>Change in Net Assets</b>					
Governmental activities	\$ (8,000,855)	\$ 1,185,868	\$ (97,103)	\$ 2,422,989	\$ 1,955,453
Business-type activities	13,141,782	1,831,617	1,289,050	99,928	648,355
Total primary government	\$ 5,140,927	\$ 3,017,485	\$ 1,191,947	\$ 2,522,917	\$ 2,603,808

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 Five Fiscal Years  
 (Accrual Basis of Accounting)

<b>Fiscal Year</b>	<b>General Property Taxes</b>	<b>Local Sales and Use Taxes</b>	<b>Consumer Utility Taxes</b>	<b>Business License Taxes</b>	<b>Meals Taxes</b>	<b>Telephone Taxes</b>	<b>Other Local Taxes</b>	<b>Total</b>
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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General fund					
Unreserved, designated	\$ -	\$ -	156,109	\$ 156,109	156,694
Unreserved, undesignated	<u>138,300</u>	<u>127,858</u>	<u>691,135</u>	<u>1,157,731</u>	<u>635,008</u>
Total general fund	<u>\$ 138,300</u>	<u>\$ 127,858</u>	<u>847,244</u>	<u>\$ 1,313,840</u>	<u>791,702</u>
All other governmental funds					
Unreserved, reported in:					
Special revenue funds (deficit)	\$ (63,960)	\$ (78,523)	(213,983)	\$ (387,443)	175,600
Capital projects funds	<u>6,770,273</u>	<u>2,289,306</u>	<u>1,007,923</u>	<u>71,774</u>	<u>(225,378)</u>
Total all other governmental funds	<u>\$ 6,706,313</u>	<u>\$ 2,210,783</u>	<u>793,940</u>	<u>\$ (315,669)</u>	<u>(49,778)</u>

**Table 4**

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<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 154,099	154,099	\$ 154,099	\$ 154,099	\$ 154,099
<u>659,306</u>	<u>354,406</u>	<u>954,031</u>	<u>2,081,470</u>	<u>3,666,122</u>
<u>\$ 813,405</u>	<u>508,505</u>	<u>\$ 1,108,130</u>	<u>\$ 2,235,569</u>	<u>\$ 3,820,221</u>
\$ 420,396	1,127,266	\$ (459,576)	\$ 54,241	\$ 516,890
<u>(170,780)</u>	<u>(347,663)</u>	<u>169,943</u>	<u>1,070,070</u>	<u>834,781</u>
<u>\$ 249,616</u>	<u>779,603</u>	<u>\$ (289,633)</u>	<u>\$ 1,124,311</u>	<u>\$ 1,351,671</u>

**CITY OF MARTINSVILLE, VIRGINIA**

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>Revenues:</b>				
General property taxes	\$ 6,583,181	\$ 7,372,892	\$ 6,374,432	\$ 6,754,405
Other local taxes	6,162,491	6,227,663	6,518,345	6,887,937
Permits, privilege fees and regulatory licenses	18,679	17,024	13,360	101,779
Fines and forfeitures	145,992	201,585	214,765	188,946
Revenue from use of money and property	971,459	667,962	603,587	603,793
Charges for services	140,033	87,789	118,322	127,495
Miscellaneous	738,926	695,808	391,409	259,880
Recovered costs	766,081	819,424	940,455	964,001
<b>Intergovernmental:</b>				
Commonwealth	6,964,447	7,363,865	8,206,223	6,941,379
Federal	379,770	694,148	1,525,729	2,465,669
<b>Total revenues</b>	<u>\$ 22,871,059</u>	<u>\$ 24,148,160</u>	<u>\$ 24,906,627</u>	<u>\$ 25,295,284</u>
<b>Expenditures:</b>				
General government administration	\$ 3,412,307	\$ 2,806,251	\$ 2,827,411	\$ 2,956,254
Judicial administration	1,532,636	1,755,428	1,585,234	1,418,241
Public safety	7,665,532	7,529,991	7,779,779	7,678,200
Public works	2,492,734	3,203,106	3,266,630	3,366,197
Health and welfare	897,445	692,418	613,511	497,656
Education	8,106,026	7,265,888	7,653,244	7,442,194
Parks, recreation, and cultural	938,878	925,040	966,334	949,304
Community development	1,335,416	1,735,267	2,324,440	3,364,924
Capital Outlays	6,687,375	-	915,394	745,583
Capital Projects	-	2,637,869	2,125,148	184,620
Non-departmental	273,423	212,975	132,802	120,008
<b>Debt service:</b>				
Principal retirement	336,499	456,893	765,000	951,135
Interest and other fiscal charges	480,465	332,187	533,395	550,070
<b>Total expenditures</b>	<u>\$ 34,158,736</u>	<u>\$ 29,553,313</u>	<u>\$ 31,488,322</u>	<u>\$ 30,224,386</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (11,287,677)</u>	<u>\$ (5,405,153)</u>	<u>\$ (6,581,695)</u>	<u>\$ (4,929,102)</u>
<b>Other financing sources (uses):</b>				
Proceeds from debt issued	\$ 1,182,450	\$ 7,500,000	\$ 807,510	\$ 476,888
Retirement of commercial loans	-	-	-	-
Retirement of interim financing	-	(7,500,000)	-	-
Sale of property	-	81,060	-	-
Refund VDOT grant	-	-	(450,000)	-
Operating transfers from/to primary government	(7,572,174)	(7,265,888)	(7,653,244)	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	5,780,696	5,737,232	5,995,144	4,772,234
Transfers (out)	(341,727)	(846,971)	(414,062)	(550,750)
<b>Total other financing sources (uses)</b>	<u>\$ (950,755)</u>	<u>\$ (2,294,567)</u>	<u>\$ (1,714,652)</u>	<u>\$ 4,698,372</u>
<b>Net changes in fund balances</b>	<u>\$ (12,238,432)</u>	<u>\$ (7,699,720)</u>	<u>\$ (8,296,347)</u>	<u>\$ (230,730)</u>
<b>Debt service as a percentage of noncapital expenditures</b>	<u>2.97%</u>	<u>2.93%</u>	<u>4.56%</u>	<u>5.12%</u>

Table 5

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
\$	7,288,727	\$ 7,338,045	\$ 7,642,006	\$ 8,744,282	\$ 8,744,282	\$ 9,252,784
	7,112,440	7,352,810	7,566,200	7,860,321	7,860,321	7,847,713
	69,393	199,679	418,210	436,393	436,393	432,554
	221,076	251,543	235,837	207,286	207,286	167,266
	485,093	659,907	965,674	1,472,629	1,472,629	1,006,575
	118,038	213,979	236,278	263,442	263,442	278,350
	340,160	292,673	246,894	320,678	320,678	283,529
	947,939	900,686	894,882	1,084,522	1,084,522	1,113,309
	7,008,991	6,995,579	7,176,201	8,346,744	8,346,744	8,840,847
	2,485,469	2,255,816	2,468,561	3,053,329	3,053,329	2,956,705
\$	<u>26,077,326</u>	<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>
\$	3,123,305	\$ 4,079,407	\$ 3,924,510	\$ 3,888,574	\$ 3,888,574	\$ 4,302,438
	1,372,696	1,468,873	1,566,000	1,779,779	1,779,779	1,907,589
	7,845,641	8,935,052	9,200,137	9,191,113	9,191,113	9,716,719
	3,667,769	3,551,770	3,820,345	4,518,076	4,518,076	4,062,576
	561,968	454,094	642,240	600,133	600,133	521,146
	6,877,698	6,403,847	8,740,321	6,695,401	6,695,401	7,082,718
	969,929	1,157,425	1,459,050	1,491,346	1,491,346	1,722,562
	2,997,166	3,766,058	3,726,792	4,516,723	4,516,723	2,970,905
	677,481	-	-	-	-	-
	110,432	-	-	-	-	-
	-	-	-	-	-	-
	1,906,339	1,092,255	1,183,049	1,103,063	1,103,063	3,660,658
	608,736	497,758	638,403	482,109	482,109	368,440
\$	<u>30,719,160</u>	<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>(4,641,834)</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>
\$	127,000	\$ 427,575	\$ 4,529,764	\$ 500,000	\$ 500,000	\$ 2,464,452
	-	-	-	-	-	-
	-	-	-	-	-	-
	1,177,000	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	(2,499,764)	-	-	-
	3,902,199	5,868,548	4,859,443	5,442,840	5,442,840	3,975,745
	(426,586)	(1,125,214)	(308,950)	(1,050,625)	(1,050,625)	(491,966)
\$	<u>4,779,613</u>	<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>137,779</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>8.40%</u>	<u>5.30%</u>	<u>5.64%</u>	<u>4.87%</u>	<u>4.70%</u>	<u>11.26%</u>

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

<b>Fiscal Year</b>	<b>General Property Taxes</b>	<b>Local Sales and Use Taxes</b>	<b>Consumer Utility Taxes</b>	<b>Business License Taxes</b>	<b>Meals Taxes</b>	<b>(Telephone) E-911 Taxes</b>	<b>Other Local Taxes</b>	<b>Total</b>
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
1999	7,312,654	2,027,641	750,223	1,141,623	823,866	379,617	1,159,402	13,595,026

Assessed Value of Taxable Property  
Last Ten Fiscal Years

<b>Fiscal Year(1)</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Public Service</b>	<b>Total</b>
2008	\$ 639,192,692	\$ 108,609,168	\$ 11,452,777	\$ 26,072,969	\$ 785,327,606
2007	593,669,976	100,582,016	15,146,780	21,340,984	730,739,756
2006	588,988,194	98,478,170	12,831,665	25,709,402	726,007,431
2005	559,497,600	101,861,411	12,083,426	27,043,443	700,485,880
2004	556,169,600	94,124,537	13,754,159	29,719,298	693,767,594
2003	531,125,500	89,785,700	13,854,533	27,763,786	662,529,519
2002	500,132,200	91,886,053	17,253,822	27,821,178	637,093,253
2001	499,376,500	87,362,958	47,211,356	27,313,555	661,264,369
2000	492,377,750	87,198,592	50,918,879	26,135,117	656,630,338
1999	483,149,200	85,925,407	45,790,992	23,191,676	638,057,275

(1) 100% fair market value.

Source: Commissioner of the Revenue

Property Tax Rates (1)  
Last Ten Fiscal Years

Fiscal Years Ending June 30,	Real Estate	Personal Property	Machinery and Tools	Public Service	
				Real	Personal
2008	\$ 1.08	\$ 2.30	\$ 1.85	\$ 1.08	\$ 2.30
2007	1.08	2.30	1.85	1.08	2.30
2006	0.94	2.30	1.85	0.94	2.30
2005	0.94	2.30	1.85	0.94	2.30
2004	0.94	2.30	1.85	0.94	2.30
2003	0.94	1.92	1.85	0.94	1.92
2002	0.94	1.92	1.85	0.94	1.92
2001	0.94	1.92	1.85	0.94	1.92
2000	0.94	1.92	1.85	0.94	1.92
1999	0.94	1.92	1.85	0.94	1.92

(1) Per \$100 of assessed value

Principal Taxpayers - Current Year and Five Years Ago  
At June 30, 2008

Taxpayer	Type of Business	Fiscal Year 2008			Fiscal Year 2004		
		Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
PHC - Martinsville Inc.	Hospital	\$ 67,153,382	1	8.55%	\$ 28,937,000	1	4.17%
Liberty Fair Va. LP	Shopping Mall	28,000,422	2	3.57%	28,802,000	2	4.15%
Lester Lumber Co. Inc.	Commercial	17,041,900	3	2.17%	13,672,500	4	1.97%
Central Telephone Company of Va.	Utility	16,685,650	4	2.12%	17,488,010	3	2.52%
Blue Ridge Nursing Center	Medical	8,332,600	5	1.06%	8,511,900	5	1.23%
Commonwealth Blvd. Associates, LLC	Commercial	4,695,200	6	0.60%	4,737,400	6	0.68%
CHS, Inc.	Medical	4,585,200	7	0.58%		n/a	
Melrose Properties LLC	Commercial /Industrial	4,443,700	8	0.57%		n/a	
Daral LLC	Commercial	3,490,400	9	0.44%		n/a	
R C Realty Corp.	Commercial	3,330,400	10	0.42%	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

**CITY OF MARTINSVILLE, VIRGINIA**

Property Tax Levies and Collections  
Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Total (1) Tax Levy</b>	<b>Current Tax (1), (3) Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent (1) Tax (2) Collections</b>
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
1999	7,294,688	6,950,292	95.28%	263,040

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

Table 10

	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collections to Tax Levy</b>	<b>Outstanding Delinquent Taxes (1)</b>	<b>Percent of Delinquent Taxes to Tax Levy</b>
\$	9,701,264	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%
	7,213,332	98.88%	684,915	9.39%

**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
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
1999	4,145,000	7,500,000	4,846,725	310,492	221,815	488,306

Table 11

<b>Business-Type Activities</b>				<b>Total Primary Government</b>	<b>Net Bonded Debt per Capita</b>
<b>Landfill Close &amp; Post- close Costs</b>	<b>General Obligation Bonds</b>	<b>Revenue Bonds</b>	<b>Capital Leases</b>		
\$ 2,635,106	\$ 1,982,600	\$ -	\$ -	\$ 17,527,732	\$ 1,224
3,494,384	2,209,500	-	-	19,810,116	1,383
3,494,384	1,907,900	-	-	20,124,152	1,405
3,494,384	-	-	-	17,206,935	1,198
3,293,886	-	825,000	114,068	18,610,185	1,275
3,129,625	-	1,615,000	344,371	20,501,082	1,367
-	-	2,375,000	566,725	19,868,465	1,299
-	-	3,100,000	344,943	20,785,295	1,359
-	-	-	451,042	18,559,573	1,204
-	-	-	552,897	18,065,235	1,165

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

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Assessed Value (in thousands)(2)</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net General Obligation Debt to Assessed Value</b>	<b>Net Bonded Debt per Capita</b>
2008	14,320	\$ 785,327,606	\$ 14,230,903	1.81%	\$ 994
2007	14,320	730,739,756	15,774,728	2.16%	1,102
2006	14,320	726,007,431	15,824,714	2.18%	838
2005	14,700	700,485,880	12,731,939	1.82%	893
2004	14,600	693,767,594	13,580,355	1.96%	942
2003	15,000	662,529,519	14,414,147	2.18%	977
2002	15,300	637,093,253	15,244,377	2.39%	1,042
2001	15,300	661,264,369	16,069,098	2.43%	1,064
2000	15,416	656,630,338	16,493,362	2.51%	1,084
1999	15,500	638,057,275	16,802,217	2.63%	348

## 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, 2008

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Direct:(1)

City of Martinsville	\$	14,230,903	100%	\$	14,230,903
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The City of Martinsville has no overlapping debt.

Demographic and Economic Statistics  
Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Population (1)</b>	<b>City Per Capita Income (2)</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>
2008	14,320	\$ n/a	2,346	11.40%
2007	14,320	n/a	2,408	8.40%
2006	14,320	n/a	2,526	7.20%
2005	14,366	n/a	2,575	10.10%
2004	14,600	n/a	2,593	12.00%
2003	15,000	17,251	2,673	10.50%
2002	15,300	17,251	2,655	12.50%
2001	15,300	21,447	2,676	7.80%
2000	15,416	21,154	2,621	7.80%
1999	15,500	20,531	2,661	9.70%

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

Principal Employers  
Current Year and Nine Years Ago

<u>Employer</u>	<u>Fiscal Year 2008</u>		<u>Employer</u>	<u>Fiscal Year 1999</u>	
	<u>Employees</u>	<u>Rank</u>		<u>Employees</u>	<u>Rank</u>
Memorial Hospital of M'ville	500-999	1	Tultex Corporation	1000 +	1
New Roads	500-999	2	Hooker Furniture Corp	500-999	2
Advantage Staffing Resources	500-999	3	Memorial Hospital of M'ville	500-999	3
Martinsville City Schools	500-999	4	Randstad	500-999	4
GCA Staffing Services Inc	250-499	5	Martinsville City Schools	500-999	5
City of Martinsville	250-499	6	Nationwide Homes	250-499	6
Nationwide Homes	250-499	7	City of Martinsville	250-499	7
Hooker Furniture Corporation	250-499	8	Pulaski Furniture Corp	250-499	8
NV Warehouse Co Inc	250-499	9	Blue Ridge Rehabilitation Center	100-249	9
Piedmont Reg Comm Services	250-499	10	Ameristaff	100-249	10

Source: Virginia Employment Commission

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

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

Source: Individual city departments

Operating Indicators by Function  
Last Four Fiscal Years

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

Capital Asset Statistics by Function  
Last Four Fiscal Years

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

Source: Individual city departments

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

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**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, 2008, which collectively comprise the City of Martinsville, Virginia's basic financial statements and have issued our report thereon dated December 16, 2008. 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*.

However, we noted other matters that we have reported to management in a separate letter dated December 16, 2008.

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  
December 16, 2008

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

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**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, 2008. 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, 2008.

## **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  
December 16, 2008

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Units  
Year Ended June 30, 2008

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
<b>PRIMARY GOVERNMENT:</b>		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Direct payments:</u>		
Rural business enterprise grants	10.769	\$ <u>16,605</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>		
<u>Pass through payments:</u>		
Department of Motor Vehicles:		
State and Community Highway Safety (Section 402 Grants) Alcohol Traffic Open container / alcohol impaired driving grant	20.607	\$ <u>17,690</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>		
<u>Direct payments:</u>		
Housing choice	14.871	\$ 1,630,853
Moderate rehabilitation	14.856	187,843
<u>Pass through payments:</u>		
Department of Housing and Community Development:		
Community development block grant	14.228	206,294
Home investment partnerships program	14.239	166,850
Total Department of Housing and Community Development		\$ <u>2,191,840</u>
<u>DEPARTMENT OF LABOR:</u>		
<u>Pass through payments:</u>		
Governor's Employment and Training Department:		
Senior Community Services Employment Program	17.235	\$ <u>21,953</u>
<u>DEPARTMENT OF JUSTICE:</u>		
<u>Direct payments:</u>		
Vipe grant	16.000	\$ 15,349
Asset forfeiture	16.000	113,269
SCAAP funds	16.606	3,000
<u>Pass through payments:</u>		
Department of Criminal Justice Services:		
Crime victim assistance	16.575	<u>55,742</u>
Total Department of Justice		\$ <u>187,360</u>
<u>DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Direct payments:</u>		
Disaster relief public assistance	97.036	\$ 9,934
Fire prevention and safety grants	97.044	<u>27,928</u>
Total Department of Homeland Security		\$ <u>37,862</u>

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Units  
Year Ended June 30, 2008 (Continued)

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
<b>Total Primary Government</b>		\$ <u>2,473,310</u>
<b>COMPONENT UNIT-SCHOOL BOARD:</b>		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass through payments:</u>		
Department of Education:		
Food distribution	10.555	\$ 102,125
Department of Education:		
National school breakfast program	10.553	171,115
National school lunch program	10.555	<u>579,080</u>
Total Department of Agriculture		\$ <u>852,320</u>
<u>DEPARTMENT OF LABOR:</u>		
<u>Direct payments:</u>		
Workforce investment act - youth activities	17.259	\$ 99,417
ROTC Instruction	17.000	<u>45,882</u>
Total Department of Labor		\$ <u>145,299</u>
<u>DEPARTMENT OF EDUCATION:</u>		
<u>Pass through payments:</u>		
Department of Education:		
Education Consolidation and Improvement Act of 1981:		
Title 1:		
Financial assistance to meet special educational needs of disadvantaged children - program operated by local education agencies (2E004500, 2E004511, 3E005820)	84.010	\$ 815,920
Title VI-B:		
Assistance to states for education of handicapped children - preschool and school programs (1E002570, 3E001110)	84.027	531,200
Vocational Education:		
Basic grants to states (3E001311)	84.048	60,134

Schedule of Expenditures of Federal Awards - Primary Government and  
 Discretely Presented Component Units  
 Year Ended June 30, 2008 (Continued)

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
<b>COMPONENT UNIT-SCHOOL BOARD: (Continued)</b>		
<u>DEPARTMENT OF EDUCATION: (Continued)</u>		
<u>Pass through payments: (Continued)</u>		
Special Education:		
Preschool	84.173	\$ 16,514
Special Projects:		
Drug-free schools and communities (2E004617)	84.186	12,607
English Language acquisition	84.365	11,413
Improving teacher quality	84.367	133,229
Title VI - Rural and low income schools	84.358	76,067
21st Century Community Learning Centers	84.287	103,033
Technology challenge grant	84.318	26,449
Gear up grant	84.334	19,970
Innovative education program strategies	84.298	<u>966</u>
Total Department of Education		\$ <u>1,807,502</u>
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:</u>		
<u>Direct payments:</u>		
NASA grant	43.001	\$ <u>118,187</u>
<b>Total Component Unit School Board</b>		\$ <u><u>2,923,308</u></u>
<b>Total Federal Assistance</b>		\$ <u><u>5,396,618</u></u>

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Schedule of Expenditures of Federal Awards  
For The Year Ended June 30, 2008

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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	\$ 431,715
Housing Choice Fund	1,818,696
USDA rural development grant monies received in FY 08 and expended in prior years	(483,395)
Grants Fund	<u>706,294</u>
Total primary government	\$ <u>2,473,310</u>
Component Unit Public Schools:	
School Operating Fund	\$ 1,011,577
School Grants Fund	1,059,411
School Cafeteria Fund	<u>750,195</u>
Total component unit public schools	\$ <u>2,821,183</u>
Total federal expenditures per basic financial statements	\$ <u>5,294,493</u>
Non-cash expenditures - value of donated commodities	\$ <u>102,125</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>5,396,618</u></u>

**CITY OF MARTINSVILLE, VIRGINIA**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

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

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions 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
Reportable conditions 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
84.010	Title I

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, 2008

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There are no prior year findings and questioned costs.