

B37434

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2009

CITY OF MARTINSVILLE

MORGAN COUNTY, INDIANA



FILED
08/20/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	8
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	9
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	10
Notes to Financial Statements	11-21
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	22-27
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Internal Service Funds	28
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds	29
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds.....	30
Schedule of Capital Assets.....	31
Schedule of Long-Term Debt	32
Audit Results and Comments:	
Deposits.....	33
Clerk's Trust Item Over Five Years Old.....	33
Customer Deposit Register	33
Delinquent Wastewater Accounts.....	34
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	36-37
Schedule of Expenditures of Federal Awards	38
Note to Schedule of Expenditures of Federal Awards.....	39
Schedule of Findings and Questioned Costs	40
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	41
Exit Conference.....	42

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary Lou Peden	01-01-08 to 12-31-11
Mayor	Phil R. Deckard	01-01-08 to 12-31-11
City Court Judge	Mark Peden	01-01-08 to 12-31-11
President of the Board of Public Works	Phil R. Deckard	01-01-08 to 12-31-11
President of the Common Council	Gary Lester	01-01-09 to 12-31-10
Superintendent of Utilities	Kevin Broyer	01-01-09 to 12-31-10
Utility Office Manager	Mary Malone	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF MARTINSVILLE, MORGAN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martinsville (City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City'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 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.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2009, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated March 30, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, 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 Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

March 24, 2010



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE CITY OF MARTINSVILLE, MORGAN COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martinsville (City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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'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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity'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 significant deficiencies or material weaknesses, as defined above.

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
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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.

This report is intended solely for the information and use of the City's management, the Mayor, the Common Council and the Board of Public Works, 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 24, 2010

CITY OF MARTINSVILLE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2009

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 5,969,719	\$ 104,342	\$ -	\$ -	\$ (5,865,377)	\$ -	\$ (5,865,377)
Public safety	5,718,166	349,373	4,966	-	(5,363,827)	-	(5,363,827)
Highways and streets	1,777,623	-	319,521	106,389	(1,351,713)	-	(1,351,713)
Sanitation	-	282,165	-	-	282,165	-	282,165
Health and welfare	-	1,000	-	-	1,000	-	1,000
Culture and recreation	287,138	2,608	-	-	(284,530)	-	(284,530)
Principal and interest on indebtedness	397,730	-	-	-	(397,730)	-	(397,730)
Total governmental activities	<u>14,150,376</u>	<u>739,488</u>	<u>324,487</u>	<u>106,389</u>	<u>(12,980,012)</u>	<u>-</u>	<u>(12,980,012)</u>
Business-type activities:							
Water	3,985,752	2,112,161	1,743,027	-	-	(130,564)	(130,564)
Wastewater	3,314,107	2,509,778	202,467	-	-	(601,862)	(601,862)
Total business-type activities	<u>7,299,859</u>	<u>4,621,939</u>	<u>1,945,494</u>	<u>-</u>	<u>-</u>	<u>(732,426)</u>	<u>(732,426)</u>
Total primary government	<u>\$ 21,450,235</u>	<u>\$ 5,361,427</u>	<u>\$ 2,269,981</u>	<u>\$ 106,389</u>	<u>(12,980,012)</u>	<u>(732,426)</u>	<u>(13,712,438)</u>
General receipts:							
Property taxes					3,831,757	-	3,831,757
Intergovernmental					5,615,575	-	5,615,575
Other local sources					5,007,148	533,269	5,540,417
Grants and contributions not restricted to specific programs					2,500	-	2,500
Investment earnings					18,015	10,782	28,797
Total general receipts					<u>14,474,995</u>	<u>544,051</u>	<u>15,019,046</u>
Change in net assets					1,494,983	(188,375)	1,306,608
Net assets - beginning as originally reported					<u>6,390,208</u>	<u>1,892,020</u>	<u>8,282,228</u>
Restatement					1,081,438	1,820,457	2,901,895
Total net assets - beginning, restated					<u>7,471,646</u>	<u>3,712,477</u>	<u>11,184,123</u>
Net assets - ending					<u>\$ 8,966,629</u>	<u>\$ 3,524,102</u>	<u>\$ 12,490,731</u>
Assets							
Cash and investments					\$ 2,957,487	\$ 406,850	\$ 3,364,337
Cash with fiscal agent					410,939	1,974,416	2,385,355
Restricted assets:							
Cash and investments					<u>5,598,203</u>	<u>1,142,836</u>	<u>6,741,039</u>
Total assets					<u>\$ 8,966,629</u>	<u>\$ 3,524,102</u>	<u>\$ 12,490,731</u>
Net Assets							
Restricted for:							
Public safety					\$ 932,354	\$ -	\$ 932,354
Highways and streets					1,280,823	-	1,280,823
Sanitation					61,654	-	61,654
Culture and recreation					861,363	-	861,363
Debt service					-	1,974,416	1,974,416
Capital outlay					1,980,596	-	1,980,596
Other purposes					892,352	1,142,836	2,035,188
Unrestricted					<u>2,957,487</u>	<u>406,850</u>	<u>3,364,337</u>
Total net assets					<u>\$ 8,966,629</u>	<u>\$ 3,524,102</u>	<u>\$ 12,490,731</u>

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

CITY OF MARTINSVILLE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	EDIT Fund	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 1,673,570	\$ 1,547,633	\$ -	\$ 1,801,659	\$ 5,022,862
Licenses and permits	13,724	-	-	9,685	23,409
Intergovernmental	4,002,455	561,413	958,393	529,725	6,051,986
Charges for services	-	-	-	291,641	291,641
Fines and forfeits	98,825	-	-	227,251	326,076
Interfund loans	-	-	550,000	550,000	1,100,000
Other	919,601	2,513	-	60,874	982,988
Total receipts	6,708,175	2,111,559	1,508,393	3,470,835	13,798,962
Disbursements:					
General government	1,727,993	-	126,108	819,111	2,673,212
Public safety	3,375,819	-	-	1,005,862	4,381,681
Highways and streets	-	1,695,738	-	-	1,695,738
Culture and recreation	-	-	-	275,804	275,804
Interfund loans	800,000	300,000	-	-	1,100,000
Debt service:					
Principal	220,000	-	-	-	220,000
Interest	177,730	-	-	-	177,730
Capital outlay:					
General government	12,739	-	586,711	639,235	1,238,685
Public safety	1,095,925	-	-	240,560	1,336,485
Highways and streets	-	81,885	-	-	81,885
Culture and recreation	-	-	-	11,334	11,334
Total disbursements	7,410,206	2,077,623	712,819	2,991,906	13,192,554
Excess (deficiency) of receipts over disbursements	(702,031)	33,936	795,574	478,929	606,408
Other financing sources (uses):					
Other receipts	145,857	15,733	-	641,897	803,487
Total other financing sources (uses)	145,857	15,733	-	641,897	803,487
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(556,174)	49,669	795,574	1,120,826	1,409,895
Cash and investment fund balance - beginning as originally reported	1,713,343	939,005	531,242	3,002,473	6,186,063
Restatement	1,081,438	-	-	-	1,081,438
Total net assets - beginning, restated	2,794,781	939,005	531,242	3,002,473	7,267,501
Cash and investment fund balance - ending	\$ 2,238,607	\$ 988,674	\$ 1,326,816	\$ 4,123,299	8,677,396
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:					
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.					
					289,233
Net assets of governmental activities					<u>\$ 8,966,629</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 2,116,901	\$ -	\$ -	\$ 840,586	\$ 2,957,487
Cash with fiscal agent	121,706	-	-	-	121,706
Restricted assets:					
Cash and investments	-	988,674	1,326,816	3,282,713	5,598,203
Total cash and investment assets - ending	\$ 2,238,607	\$ 988,674	\$ 1,326,816	\$ 4,123,299	\$ 8,677,396
Cash and Investment Fund Balance - Ending					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ 932,354	\$ 932,354
Highways and streets	-	988,674	-	292,149	1,280,823
Sanitation	-	-	-	61,654	61,654
Culture and recreation	-	-	-	861,363	861,363
Debt service	-	-	-	-	-
Capital outlay	121,706	-	1,326,816	532,074	1,980,596
Other purposes	-	-	-	603,119	603,119
Unrestricted	2,116,901	-	-	840,586	2,957,487
Total cash and investment fund balance - ending	\$ 2,238,607	\$ 988,674	\$ 1,326,816	\$ 4,123,299	\$ 8,677,396

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

CITY OF MARTINSVILLE
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2009

	Water	Wastewater	Totals	Internal Service Funds
Operating receipts:				
Customer receipts	\$ 1,602,600	\$ 2,355,568	\$ 3,958,168	\$ -
Fire protection receipts	28,072	-	28,072	-
Fees	-	5,750	5,750	-
Charges for services	41,136	-	41,136	-
Interfund loan proceeds	400,000	100,000	500,000	-
Miscellaneous	40,353	48,460	88,813	2,142,910
Total operating receipts	2,112,161	2,509,778	4,621,939	2,142,910
Operating disbursements:				
Salaries and wages	450,281	333,148	783,429	-
Employee pensions and benefits	55,081	20,795	75,876	-
Fuel for power production	12,395	90,630	103,025	-
Chemicals	19,297	3,688	22,985	-
Material and supplies	255,822	45,301	301,123	-
Contractual services	312,088	869,797	1,181,885	-
Insurance claims and expense	123,042	105,524	228,566	2,057,822
Refunds	22,779	1,207	23,986	-
Equipment and capital improvements	1,323,784	154,870	1,478,654	-
Interfund loans made/repaid	100,000	400,000	500,000	-
Miscellaneous	726,626	474,701	1,201,327	-
Total operating disbursements	3,401,195	2,499,661	5,900,856	2,057,822
Excess (deficiency) of operating receipts over operating disbursements	(1,289,034)	10,117	(1,278,917)	85,088
Nonoperating receipts (disbursements):				
Investment income	1,713	9,069	10,782	-
Refunds	85,694	445,523	531,217	-
Grants	1,743,027	202,467	1,945,494	-
Escrow receipts	-	2,052	2,052	-
Debt service of principal	(584,557)	(814,446)	(1,399,003)	-
Total nonoperating receipts (disbursements)	1,245,877	(155,335)	1,090,542	-
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(43,157)	(145,218)	(188,375)	85,088
Transfers in	116,462	847,115	963,577	-
Transfers out	(116,462)	(847,115)	(963,577)	-
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	(43,157)	(145,218)	(188,375)	85,088
Cash and investment fund balance - beginning as originally reported	434,088	1,457,932	1,892,020	204,145
Restatement	572,284	1,248,173	1,820,457	
Total net assets - beginning, restated	1,006,372	2,706,105	3,712,477	
Cash and investment fund balance - ending	\$ 963,215	\$ 2,560,887	\$ 3,524,102	\$ 289,233
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ (67,491)	\$ 474,341	\$ 406,850	\$ -
Cash with fiscal agent	833,986	1,140,430	1,974,416	-
Restricted assets:				
Cash and investments	196,720	946,116	1,142,836	289,233
Total cash and investment assets - December 31	\$ 963,215	\$ 2,560,887	\$ 3,524,102	\$ 289,233
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 833,986	\$ 1,140,430	\$ 1,974,416	\$ -
Other purposes	196,720	946,116	1,142,836	289,233
Unrestricted	(67,491)	474,341	406,850	-
Total cash and investment fund balance - December 31	\$ 963,215	\$ 2,560,887	\$ 3,524,102	\$ 289,233

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

CITY OF MARTINSVILLE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2009

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	\$ 340,643	
Total additions	340,643	
Deductions:		
Benefits	387,402	
Total deductions	387,402	
Excess (deficiency) of total additions over total deductions	(46,759)	
Cash and investment fund balance - beginning	201,644	
Cash and investment fund balance - ending	\$ 154,885	\$ 387,385

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

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government: City of Martinsville

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. 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.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund (MVH) accounts for state and local monies collected for highway and street construction and improvements.

The EDIT (economic development income tax) fund (capital projects) accounts for the City's use of economic development income tax revenues.

The City reports the following major enterprise funds:

The water utility fund accounts for the operation of the water distribution system.

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the City reports the following fund types:

The employee benefit trust fund, an internal service fund, is used to account for medical and dental benefits for the city employees.

The pension trust funds account for the activities of the 1925 police officers' and 1937 firefighters' pension plans, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for the State and County for court fees and to the various taxing and insurance agencies for payroll related withholdings.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The City does not have a deposit policy for custodial credit risk. At December 31, 2009, the City had deposit balances in the amount of \$13,375,377.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

Statutory Authorization for Investments

IC 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years. The City does not have a formal investment policy for interest rate risk for investments.

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The City does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

B. Temporary Loans

Temporary loans for the year ended December 31, 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2009</u>
Wastewater	Water	<u>\$ 300,000</u>

These loans were declared an emergency and therefore will not be repaid until six months after December 31, 2009.

C. Restatements and Reclassifications

For the year ended December 31, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent amounts held by the Bank of New York in regards to certain debt held by the city and the water and wastewater utilities.

<u>Opinion Unit</u>	<u>Balance as Reported December 31, 2008</u>	<u>Fund Reclassification</u>	<u>New Funds</u>	<u>Prior Period Adjustments</u>	<u>Balance as Restated January 1, 2009</u>
General Fund	\$ 1,713,343	\$ -	\$ -	\$ 1,081,438	\$ 2,794,781
Water Utility	434,088	-	-	572,284	1,006,372
Wastewater Utility	1,457,932	-	-	1,248,173	2,706,105

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties.

The City has chosen to establish a risk financing fund for risks associated with medical and dental benefits. The risk financing fund is accounted for in the Self-Insurance fund, an internal service fund, where assets are set aside for claim settlements. The City purchases commercial insurance for claims in excess of coverage provided by the fund. Amounts are paid into the fund by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each fund's gross wages, and are reported as quasi-external interfund transactions.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

During 1992, the City joined with other governmental entities in the Indiana Public Employers' Plan, a public entity risk pool currently operating as a common risk management and insurance program for 724 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illness or injuries to employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Holding Corporation

The City has entered into a capital lease with City of Martinsville Government Facility Holding Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year 2009 totaled \$102,990.

C. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

The City of Martinsville Healthcare Plan is a single-employer defined benefit healthcare plan administered by Donley Benefits Consulting, Inc. The plan provides medical, dental, vision, and prescription to eligible retirees and their spouses. IC 5-10-8-2.6 assigns the authority to establish and amend benefit provisions to the City. The City of Martinsville Healthcare Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for the participants. That report may be obtained by contacting the plan administrator:

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Donley Benefits Consulting, Inc.
4735 Statesman Drive, Suite A
Indianapolis, IN 46250
317-849-3282

Funding Policy

The contribution requirements of plan members for the City of Martinsville Healthcare Plan are established by the City's governing board. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2009, the City contribution to the plan cannot be determined. Plan members receiving benefits contributed \$4,259 through their required contribution of \$118.30 per month for retiree-only coverage and \$840.88 for retiree and spouse coverage.

D. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on June 20, 2007.

Wastewater Utility

The current rate structure was approved by the City Council on March 6, 2006.

E. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the City during the period were \$310,072.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On-behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$165,948 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

On-behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$174,696 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan during the period were \$310,072.

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009

	Local Road And Street	Planning And Zoning	Law Enforcement Continuing Ed	Riverboat	State Grant	Parks And Recreation	Pretrial Diversion
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 454,449	\$ -
Licenses and permits	-	3,825	5,860	-	-	-	-
Intergovernmental	106,389	-	-	73,206	-	44,586	-
Charges for services	-	-	8,076	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	147,192
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	15,314	-
Total receipts	106,389	3,825	13,936	73,206	-	514,349	147,192
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	13,737	-	-	-	338,439
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	275,804	-
Interfund loans	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	11,334	-
Total disbursements	-	-	13,737	-	-	287,138	338,439
Excess (deficiency) of receipts over disbursements	106,389	3,825	199	73,206	-	227,211	(191,247)
Other financing sources (uses):							
Other receipts	-	-	1,359	-	-	6,521	-
Total other financing sources (uses)	-	-	1,359	-	-	6,521	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	106,389	3,825	1,558	73,206	-	233,732	(191,247)
Cash and investment fund balance - beginning	185,760	126,345	14,197	102,054	2,287	204,012	200,316
Cash and investment fund balance - ending	\$ 292,149	\$ 130,170	\$ 15,755	\$ 175,260	\$ 2,287	\$ 437,744	\$ 9,069
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ 175,260	\$ -	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	292,149	130,170	15,755	-	2,287	437,744	9,069
Total cash and investment assets - ending	\$ 292,149	\$ 130,170	\$ 15,755	\$ 175,260	\$ 2,287	\$ 437,744	\$ 9,069
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	15,755	-	2,287	-	9,069
Highways and streets	292,149	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	437,744	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other purposes	-	130,170	-	-	-	-	-
Unrestricted	-	-	-	175,260	-	-	-
Total cash and investment fund balance - ending	\$ 292,149	\$ 130,170	\$ 15,755	\$ 175,260	\$ 2,287	\$ 437,744	\$ 9,069

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Fire Donation	Rainy Day	Dare	Criminal Justice-State	Operation Pullover	Fire Hydrant Maintenance	Court Fees
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	292,050	-	-	4,966	-	-
Charges for services	400	-	-	-	-	1,000	-
Fines and forfeits	-	-	-	-	-	-	12,047
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	400	292,050	-	-	4,966	1,000	12,047
Disbursements:							
General government	-	201,560	-	-	-	-	12,401
Public safety	-	-	-	-	4,365	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	2,718	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	-	201,560	-	2,718	4,365	-	12,401
Excess (deficiency) of receipts over disbursements	400	90,490	-	(2,718)	601	1,000	(354)
Other financing sources (uses):							
Other receipts	-	-	-	1,359	-	-	-
Total other financing sources (uses)	-	-	-	1,359	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	400	90,490	-	(1,359)	601	1,000	(354)
Cash and investment fund balance - beginning	1,601	148,602	-	2,764	230	15,721	11,793
Cash and investment fund balance - ending	\$ 2,001	\$ 239,092	\$ -	\$ 1,405	\$ 831	\$ 16,721	\$ 11,439
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 239,092	\$ -	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	2,001	-	-	1,405	831	16,721	11,439
Total cash and investment assets - ending	\$ 2,001	\$ 239,092	\$ -	\$ 1,405	\$ 831	\$ 16,721	\$ 11,439
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	2,001	-	-	1,405	831	16,721	11,439
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	239,092	-	-	-	-	-
Total cash and investment fund balance - ending	\$ 2,001	\$ 239,092	\$ -	\$ 1,405	\$ 831	\$ 16,721	\$ 11,439

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Park and Recreation Improvements	Loit-Public Safety	Downtown Renovation	Block Law Enforcement Grant	Food And Beverage	Food And Beverage Debt Reserve	Historical Preservation Grant
Receipts:							
Taxes	\$ -	\$ 891,033	\$ -	\$ -	\$ 300,072	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	550,000	-	-
Other	-	-	-	1,253	-	-	2,500
Total receipts	-	891,033	-	1,253	850,072	-	2,500
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	649,321	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	579,235	-	-
Public safety	-	237,842	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	-	887,163	-	-	579,235	-	-
Excess (deficiency) of receipts over disbursements	-	3,870	-	1,253	270,837	-	2,500
Other financing sources (uses):							
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	3,870	-	1,253	270,837	-	2,500
Cash and investment fund balance - beginning	496	747,204	1,300	(1,253)	155,397	365,136	319
Cash and investment fund balance - ending	\$ 496	\$ 751,074	\$ 1,300	\$ -	\$ 426,234	\$ 365,136	\$ 2,819
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 426,234	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	496	751,074	1,300	-	-	365,136	2,819
Total cash and investment assets - ending	\$ 496	\$ 751,074	\$ 1,300	\$ -	\$ 426,234	\$ 365,136	\$ 2,819
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	751,074	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	496	-	-	-	-	-	2,819
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other purposes	-	-	1,300	-	-	365,136	-
Unrestricted	-	-	-	-	426,234	-	-
Total cash and investment fund balance - ending	\$ 496	\$ 751,074	\$ 1,300	\$ -	\$ 426,234	\$ 365,136	\$ 2,819

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Police Donation Reserve	Police Drug Acquisition	Police Drug Evidence	Auditor Court Costs	Bail Bond Admin	Canine Donation
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ 54,696	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	26,325	-	2,900	-
Interfund loans	-	-	-	-	-	-
Other	-	9	4,746	-	-	-
Total receipts	-	9	31,071	54,696	2,900	-
Disbursements:						
General government	385	3,992	19,908	54,696	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	385	3,992	19,908	54,696	-	-
Excess (deficiency) of receipts over disbursements	(385)	(3,983)	11,163	-	2,900	-
Other financing sources (uses):						
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(385)	(3,983)	11,163	-	2,900	-
Cash and investment fund balance - beginning	385	5,426	8,925	-	6,600	275
Cash and investment fund balance - ending	\$ -	\$ 1,443	\$ 20,088	\$ -	\$ 9,500	\$ 275
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-
Restricted assets:						
Cash and investments	-	1,443	20,088	-	9,500	275
Total cash and investment assets - ending	\$ -	\$ 1,443	\$ 20,088	\$ -	\$ 9,500	\$ 275
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	1,443	20,088	-	9,500	275
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	\$ -	\$ 1,443	\$ 20,088	\$ -	\$ 9,500	\$ 275

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Environmental Renovations	Judicial Salary	Transfer Station	Parking Control Fund	Police Camera	Record Perpetuation
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	282,165	-	-	-
Fines and forfeits	-	31,607	-	-	-	7,180
Interfund loans	-	-	-	-	-	-
Other	-	-	282	-	35,600	-
Total receipts	-	31,607	282,447	-	35,600	7,180
Disbursements:						
General government	-	29,042	316,779	-	1,850	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	29,042	316,779	-	1,850	-
Excess (deficiency) of receipts over disbursements	-	2,565	(34,332)	-	33,750	7,180
Other financing sources (uses):						
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,565	(34,332)	-	33,750	7,180
Cash and investment fund balance - beginning	1,146	52,651	95,986	17,232	1,500	80,829
Cash and investment fund balance - ending	\$ 1,146	\$ 55,216	\$ 61,654	\$ 17,232	\$ 35,250	\$ 88,009
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-
Restricted assets:						
Cash and investments	1,146	55,216	61,654	17,232	35,250	88,009
Total cash and investment assets - ending	\$ 1,146	\$ 55,216	\$ 61,654	\$ 17,232	\$ 35,250	\$ 88,009
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	55,216	-	-	35,250	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	61,654	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other purposes	1,146	-	-	17,232	-	88,009
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	\$ 1,146	\$ 55,216	\$ 61,654	\$ 17,232	\$ 35,250	\$ 88,009

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Recording Fees	Park Bond	Cumulative Capital Development	Industrial Park (Construction)	Cumulative Capital Improvement	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ 101,409	\$ -	\$ -	\$ 1,801,659
Licenses and permits	-	-	-	-	-	9,685
Intergovernmental	-	-	7,949	-	579	529,725
Charges for services	-	-	-	-	-	291,641
Fines and forfeits	-	-	-	-	-	227,251
Interfund loans	-	-	-	-	-	550,000
Other	-	1,170	-	-	-	60,874
Total receipts	-	1,170	109,358	-	579	3,470,835
Disbursements:						
General government	-	178,498	-	-	-	819,111
Public safety	-	-	-	-	-	1,005,862
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	275,804
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	60,000	-	-	639,235
Public safety	-	-	-	-	-	240,560
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	11,334
Total disbursements	-	178,498	60,000	-	-	2,991,906
Excess (deficiency) of receipts over disbursements	-	(177,328)	49,358	-	579	478,929
Other financing sources (uses):						
Other receipts	-	596,788	-	-	35,870	641,897
Total other financing sources (uses)	-	596,788	-	-	35,870	641,897
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	419,460	49,358	-	36,449	1,120,826
Cash and investment fund balance - beginning	126	844	262,356	40,397	143,514	3,002,473
Cash and investment fund balance - ending	\$ 126	\$ 420,304	\$ 311,714	\$ 40,397	\$ 179,963	\$ 4,123,299
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 840,586
Cash with fiscal agent	-	-	-	-	-	-
Restricted assets:						
Cash and investments	126	420,304	311,714	40,397	179,963	3,282,713
Total cash and investment assets - ending	\$ 126	\$ 420,304	\$ 311,714	\$ 40,397	\$ 179,963	\$ 4,123,299
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	932,354
Highways and streets	-	-	-	-	-	292,149
Sanitation	-	-	-	-	-	61,654
Culture and recreation	-	420,304	-	-	-	861,363
Debt service	-	-	-	-	-	-
Capital outlay	-	-	311,714	40,397	179,963	532,074
Other purposes	126	-	-	-	-	603,119
Unrestricted	-	-	-	-	-	840,586
Total cash and investment fund balance - ending	\$ 126	\$ 420,304	\$ 311,714	\$ 40,397	\$ 179,963	\$ 4,123,299

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 INTERNAL SERVICE FUNDS
 As of and for the Year Ended December 31, 2009

	<u>Emp Trust Donley Company</u>
Operating receipts:	
Charges for services	\$ -
Miscellaneous	<u>2,142,910</u>
Total operating receipts	<u>2,142,910</u>
Operating disbursements:	
Cost of sales and services	-
Equipment and capital improvements	-
Insurance claims and expense	2,057,822
Miscellaneous	<u>-</u>
Total operating disbursements	<u>2,057,822</u>
Excess (deficiency) of receipts over disbursements	<u>85,088</u>
Nonoperating receipts (disbursements):	
Net proceeds from borrowings	-
Debt service of principal	-
Interest disbursements	<u>-</u>
Total nonoperating receipts (disbursements)	<u>-</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	85,088
Capital contributions	-
Interfund loans	-
Transfers in	-
Transfers out	<u>-</u>
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	85,088
Cash and investment fund balance - beginning	<u>204,145</u>
Cash and investment fund balance - ending	<u><u>\$ 289,233</u></u>
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 289,233
Cash with fiscal agent	-
Restricted assets:	
Cash and investments	<u>-</u>
Total cash and investment assets - December 31	<u><u>\$ 289,233</u></u>
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Debt service	\$ -
Other purposes	-
Unrestricted	<u>289,233</u>
Total cash and investment fund balance - December 31	<u><u>\$ 289,233</u></u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2009

	Fire Pension	Police Pension	Totals
Additions:			
Contributions:			
Employer	\$ 174,695	\$ 165,948	\$ 340,643
Plan members	-	-	-
State	-	-	-
Total contributions	<u>174,695</u>	<u>165,948</u>	<u>340,643</u>
Investment receipts:			
Interest	-	-	-
Dividends	-	-	-
Total investment receipts	-	-	-
Less investment disbursements	-	-	-
Net investment receipts	-	-	-
Total additions	<u>174,695</u>	<u>165,948</u>	<u>340,643</u>
Deductions:			
Benefits	179,198	208,204	387,402
Refunds of contributions	-	-	-
Administrative and general	-	-	-
Total deductions	<u>179,198</u>	<u>208,204</u>	<u>387,402</u>
Excess (deficiency) of total additions over total deductions	(4,503)	(42,256)	(46,759)
Cash and investment fund balance - beginning	<u>111,573</u>	<u>90,071</u>	<u>201,644</u>
Cash and investment fund balance - ending	<u>\$ 107,070</u>	<u>\$ 47,815</u>	<u>\$ 154,885</u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009

	Martinsville City Court	Payroll	Bowen Engr Escrow	Cbi Construction Escrow	Fire Station Escrow Fund	Reed & Sons Escrow	Infrastructure Escrow Fund	Miscellaneous Fund	Totals
Additions:									
Agency fund additions	\$ 720,684	\$ 5,410,101	\$ 2,890	\$ 35,610	\$ 1,473	\$ 3,387	\$ 6,311	\$ -	\$ 6,180,456
Deductions:									
Agency fund deductions	724,876	5,383,521	106,968	68,962	152,467	45,799	102,558	-	6,585,151
Excess (deficiency) of total additions over total deductions	(4,192)	26,580	(104,078)	(33,352)	(150,994)	(42,412)	(96,247)	-	(404,695)
Cash and investment fund balance - beginning	46,852	250,382	116,588	67,753	171,846	42,412	96,247	-	792,080
Cash and investment fund balance - ending	\$ 42,660	\$ 276,962	\$ 12,510	\$ 34,401	\$ 20,852	\$ -	\$ -	\$ -	\$ 387,385

CITY OF MARTINSVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 3,417,464
Infrastructure	7,192,946
Buildings	54,753
Improvements other than buildings	890,487
Machinery and equipment	<u>3,679,934</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 15,235,584</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	\$ 7,893,884
Machinery and equipment	<u>38,958</u>
Total Water Utility capital assets	<u>7,932,842</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	516,550
Buildings	18,783,415
Improvements other than buildings	4,179,929
Machinery and equipment	<u>4,129,235</u>
Total Wastewater Utility capital assets	<u>27,609,129</u>
Total business-type activities capital assets	<u>\$ 35,541,971</u>

CITY OF MARTINSVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Fire station lease with Government Facility Building Corporation	\$ 2,445,000	\$ 203,438
Fire truck	124,628	66,000
Police cars	76,537	80,975
Bobcat loader	24,993	9,410
Bonds payable:		
General obligation bonds:		
Fire Station	1,350,000	236,050
Parks and recreation	<u>600,000</u>	<u>51,491</u>
Total governmental activities debt	<u>\$ 4,621,158</u>	<u>\$ 647,364</u>
Business-type Activities:		
Water Utility:		
Revenue bonds:		
Water works refunding bonds of 2004	<u>\$ 685,000</u>	<u>\$ 140,593</u>
Total Water Utility	<u>685,000</u>	<u>140,593</u>
Wastewater Utility:		
Loans:		
2005 SRF Loan	520,000	42,682
Revenue bonds:		
Sewage works refunding bonds of 2004	720,000	117,803
Sewage works bonds of 2004	<u>2,410,000</u>	<u>159,991</u>
Total Wastewater Utility	<u>3,650,000</u>	<u>320,476</u>
Total business-type activities debt:	<u>\$ 4,335,000</u>	<u>\$ 461,069</u>

The Water Utility has entered into a loan agreement with the State of Indiana through its revolving loan program to finance water improvement projects. The funds are loaned as the construction costs are incurred.

The agreement provide for maximum loans of \$9,865,000. Annual debt service requirements for the uncompleted loan will not be established until the construction projects are completed. The outstanding loan balance net of repayments at December 31, 2009, was \$9,501,558.

The Wastewater Utility has made loan agreements with the State of Indiana through its revolving loan program to finance various construction projects. The funds are loaned as the construction costs are incurred.

The agreements provide for maximum loans of \$8,405,000. As of December 31, 2009, the outstanding loan balance net of repayments was \$6,812,406.

Annual debt service requirements for the uncompleted loans will not be established until the construction projects are completed.

CITY OF MARTINSVILLE
AUDIT RESULTS AND COMMENTS

DEPOSITS (City Court and Police Department)

In numerous instances, receipts were deposited later than the next business day.

IC 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

CLERK'S TRUST ITEMS OVER FIVE YEARS OLD

Our review of trust items on hand revealed that many items had been on hand for a period of five years or longer.

IC 32-34-1-20 (c)(6) states: "For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under IC 32-34-3."

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit log does not reconcile with the customer deposit amount recorded on the Clerk-Treasurer's Cash Book.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MARTINSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF MARTINSVILLE, MORGAN COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Martinsville (City) 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 December 31, 2009. The City'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's management. Our responsibility is to express an opinion on the City'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 non-compliance 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'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 the City's compliance with those requirements.

In our opinion, the City 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 December 31, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a City'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 entity'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 entity'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 entity's internal control.

Our consideration of the 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 significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, the Mayor, the Common Council and the Board of Public Works, 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 24, 2010

CITY OF MARTINSVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2009

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Office of Community and Rural Affairs Community Development Block Grants/State's program Disaster Recovery Grant Award	14.228	DR1A-09-063	\$ <u>295,689</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute State and Community Highway Safety Operation Pullover Seatbelt Enforcement Grant	20.600	OP-09-01-02-22 OP-10-02-01-76	3,410 <u>1,750</u>
Total for federal grantor agency			<u>5,160</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority ARRA - Capitalization Grants for Clean Water State Revolving Funds State Revolving Fund Loan 2009 Series	66.458	WW09815503	<u>202,467</u>
Capitalization Grants for Drinking Water State Revolving Funds State Revolving Fund Loan 2007 Series	66.468	DW10222101	<u>547,756</u>
Total for federal grantor agency			<u>750,223</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters) Disaster Assistance	97.036	1766-DR	<u>282,671</u>
Hazard Mitigation Grant Program	97.039	HM 1766	<u>549,449</u>
Total for federal grantor agency			<u>832,120</u>
Total federal awards expended			<u>\$ 1,883,192</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MARTINSVILLE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Martinsville (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Significant deficiencies identified that are 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 section 510(a) of Circular A-133? no

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.039	Hazard Mitigation Grant Program

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

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF MARTINSVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF MARTINSVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 9, 2010, with Mary Lou Peden, Clerk-Treasurer. The official concurred with our audit findings.

The contents of this report were also discussed on June 9, 2010, with Phil R. Deckard, Mayor; Becky Tumey, Deputy Clerk-Treasurer; Mary Malone, Utility Office Manager; and Diane Selch, Assistant Utility Office Manager.