

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF MARTINSVILLE

MORGAN COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
10/18/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Phil R. Deckard	01-01-11 to 12-31-15
Clerk-Treasurer	Mary Lou Peden	01-01-11 to 12-31-15
President of the Board Public Works	Phil R. Deckard	01-01-11 to 12-31-15
President of Common Council	David Trout Eric Bowlen	01-01-11 to 12-31-11 01-01-12 to 12-31-12
Superintendent of Utilities	Kevin Broyer	01-01-11 to 12-31-12
Utility Office Manager	Mary Malone	01-01-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the City of Martinsville (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

The City's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, and others within the entity 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

September 20, 2012

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF MARTINSVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 3,349,206	\$ 5,532,570	\$ 5,675,446	\$ 3,206,330
Motor Vehicle Highway	345,900	1,188,706	1,469,718	64,888
Local Road And Street	180,188	107,297	78,015	209,470
Planning And Zoning	132,695	3,675	-	136,370
Community Development Block	1,750	-	512	1,238
Law Enforcement Continuing Ed	21,721	22,912	14,967	29,666
Riverboat	248,467	73,207	-	321,674
Parks And Recreation	363,835	814,610	607,071	571,374
Pretrial Diversion	66,067	128,283	99,506	94,844
Rainy Day	812,828	154,563	558,829	408,562
Cumulative Capital Development	373,987	206,481	142,908	437,560
Industrial Park (Construction)	40,397	-	-	40,397
Cumulative Capital Improvement	198,420	33,594	-	232,014
Martinsville City Court	42,252	635,130	621,666	55,716
2011 GO BOND	-	1,706,218	601,115	1,105,103
2007 D&R FD 318119	6,223	3,505	1,000	8,728
2007 Const F.D. 318120	819	-	-	819
2007 Pay Agt 318122	-	203,500	203,500	-
Petty Cash	500	-	-	500
Speed Grant	2,287	-	2,019	268
Fire Donation	2,699	717	-	3,416
Operation Pullover	88	4,492	4,441	139
Fire Hydrant Maintenance	16,721	-	-	16,721
Court Fees	11,956	851	12,788	19
City Park Cum Cap	496	-	-	496
Loit-Public Safety	624,069	760,927	692,658	692,338
Downtown Renovation	1,300	-	1,058	242
Food And Beverage	271,157	351,976	345,059	278,074
Food And Beverage Debt Reserve	365,136	-	-	365,136
Historical Preservation Grant	319	-	-	319
Police Drug Acquisition	885	1	764	122
Police Drug Evidence	16,765	5,811	16,568	6,008
Auditor Court Costs	4,412	50,826	55,238	-
Bail Bond Admin Bal Bond-Admin	11,640	2,440	-	14,080
Canine Donation	275	500	775	-
Environmental Renovations	1,146	-	-	1,146
Judicial Salary	44,570	13,455	29,042	28,983
Parking Control Fund	17,232	-	-	17,232
Police Camera	2,416	251	245	2,422
Record Perpetuation	97,263	6,714	-	103,977
Recording Fees	126	-	-	126
Park Bond	821	118,272	40,552	78,541
Edit Fund	757,698	961,997	819,366	900,329
Emp Trust Donley Company	580,288	2,100,336	1,944,125	736,499
Fire Pension#3	134,259	202,238	214,155	122,342
Police Pension#3	114,609	271,188	246,015	139,782
Payroll	112,564	5,781,323	5,783,731	110,156
Bowen Engr Escrow	12,541	15	12,556	-
Fire Station Escrow Fund	20,904	845	21,749	-
Miscellaneous Fund	85,630	-	-	85,630
Trans Station	220,586	189,523	388,035	22,074
WW Refunding Rev Bond 226125	71,265	139,200	141,420	69,045
S.W. Refunding Rev Bond 2004	57,720	61,888	119,608	-
SW Rev Bond Series 2004	79,293	78,823	158,116	-
Sink Fund 2007	119,627	238,550	237,350	120,827
Sewage 2011 Esc 2004	-	2,937,018	-	2,937,018
Sewer Bond & Interest	229,241	883,501	1,105,341	7,401
Sewer Debt Reserve	826,634	27,256	19,751	834,139
Wastewater Utility-Construction	2,172	-	-	2,172
Sewer Operations (Hb)	701,269	2,544,768	3,034,235	211,802
City Availability (Hb)	59,172	-	-	59,172
Developer Availability (Hb)	121,869	-	-	121,869
Plant Expansion (Hb)	177,592	-	-	177,592
Sewer Improvement (Hb)	569,257	463,895	150,000	883,152
Sewer Escrow	10,997	14	-	11,011
Water Bond & Interest	422,929	903,590	1,217,036	109,483
Water Debt Reserve	506,779	132,048	-	638,827
Water Utility-Construction	210	-	210	-
Water Construction Ban	20,140	9	-	20,149
Water Operations (Hb)	(110,642)	2,314,420	2,203,129	649
Water Meter Deposits (Hb)	79,833	30,320	20,023	90,130
Water Improvement (Hb)	15,254	-	-	15,254
Lilly Grant	54,554	-	-	54,554
Utility Clearance (Hb)	286,927	4,166,911	4,294,788	159,050
Totals	\$ 14,020,205	\$ 36,561,160	\$ 33,406,199	\$ 17,175,166

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

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENT

Note 1. 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 some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be 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.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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. That report may be obtained by contacting:

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan 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 Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan 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.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) 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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

Note 7. Restatements and Reclassifications

For the year ended December 31, 2010, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances by fund.

Fund	Balance as Reported December 31, 2010	Prior Period Adjustment	Balance as Restated January 1, 2011
Payroll	\$ 19,505	\$ 93,059	\$ 112,564
Water Operations	(38,826)	(71,816)	(110,642)
WW Refunding Rev Bond 226125	-	71,265	71,265
General	3,475,876	(126,670)	3,349,206
2007 D&R FD 318118	-	6,223	6,223
2007 Constr. FD 318120	-	819	819
Sink Fund 2007	-	119,627	119,627
Sewer Operations	838,282	(137,013)	701,269
S.W. Refunding Rev Bond 2004	-	57,720	57,720
SW Rev Bond Series 2004	-	79,293	79,293
Martinsville City Court	42,026	226	42,252

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Planning And Zoning	Community Development Block	Law Enforcement Continuing Ed	Riverboat
Cash and investments - beginning	\$ 3,349,206	\$ 345,900	\$ 180,188	\$ 132,695	\$ 1,750	\$ 21,721	\$ 248,467
Receipts:							
Taxes	2,384,767	894,555	-	-	-	-	-
Licenses and permits	16,503	-	-	3,675	-	3,663	-
Intergovernmental	2,676,851	289,607	107,297	-	-	-	73,207
Charges for services	108,577	82	-	-	-	4,002	-
Fines and forfeits	93,182	-	-	-	-	495	-
Utility fees	-	-	-	-	-	-	-
Other receipts	252,690	4,462	-	-	-	14,752	-
Total receipts	<u>5,532,570</u>	<u>1,188,706</u>	<u>107,297</u>	<u>3,675</u>	<u>-</u>	<u>22,912</u>	<u>73,207</u>
Disbursements:							
Personal services	4,681,041	949,287	-	-	-	-	-
Supplies	46,664	216,028	-	-	-	-	-
Other services and charges	700,788	187,737	78,015	-	512	-	-
Capital outlay	146,249	116,666	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	100,704	-	-	-	-	14,967	-
Total disbursements	<u>5,675,446</u>	<u>1,469,718</u>	<u>78,015</u>	<u>-</u>	<u>512</u>	<u>14,967</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(142,876)</u>	<u>(281,012)</u>	<u>29,282</u>	<u>3,675</u>	<u>(512)</u>	<u>7,945</u>	<u>73,207</u>
Cash and investments - ending	<u>\$ 3,206,330</u>	<u>\$ 64,888</u>	<u>\$ 209,470</u>	<u>\$ 136,370</u>	<u>\$ 1,238</u>	<u>\$ 29,666</u>	<u>\$ 321,674</u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Parks And Recreation	Pretrial Diversion	Rainy Day	Cumulative Capital Development	Industrial Park (Construction)	Cumulative Capital Improvement	Martinsville City Court
Cash and investments - beginning	\$ 363,835	\$ 66,067	\$ 812,828	\$ 373,987	\$ 40,397	\$ 198,420	\$ 42,252
Receipts:							
Taxes	630,657	-	-	189,159	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	55,090	-	-	17,322	-	33,594	-
Charges for services	112,709	-	-	-	-	-	-
Fines and forfeits	-	128,283	-	-	-	-	635,130
Utility fees	-	-	-	-	-	-	-
Other receipts	16,154	-	154,563	-	-	-	-
Total receipts	<u>814,610</u>	<u>128,283</u>	<u>154,563</u>	<u>206,481</u>	<u>-</u>	<u>33,594</u>	<u>635,130</u>
Disbursements:							
Personal services	293,657	-	-	-	-	-	-
Supplies	18,608	-	-	-	-	-	-
Other services and charges	64,817	99,506	-	-	-	-	-
Capital outlay	112,712	-	-	142,908	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	117,277	-	558,829	-	-	-	621,666
Total disbursements	<u>607,071</u>	<u>99,506</u>	<u>558,829</u>	<u>142,908</u>	<u>-</u>	<u>-</u>	<u>621,666</u>
Excess (deficiency) of receipts over disbursements	<u>207,539</u>	<u>28,777</u>	<u>(404,266)</u>	<u>63,573</u>	<u>-</u>	<u>33,594</u>	<u>13,464</u>
Cash and investments - ending	<u>\$ 571,374</u>	<u>\$ 94,844</u>	<u>\$ 408,562</u>	<u>\$ 437,560</u>	<u>\$ 40,397</u>	<u>\$ 232,014</u>	<u>\$ 55,716</u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	2011 GO BOND	2007 D&R FD 318119	2007 Const F.D. 318120	2007 Pay Agt 318122	Petty Cash	Speed Grant	Fire Donation
Cash and investments - beginning	\$ -	\$ 6,223	\$ 819	\$ -	\$ 500	\$ 2,287	\$ 2,699
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,706,218	3,505	-	203,500	-	-	717
Total receipts	<u>1,706,218</u>	<u>3,505</u>	<u>-</u>	<u>203,500</u>	<u>-</u>	<u>-</u>	<u>717</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	2,019	-
Other services and charges	-	1,000	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	601,115	-	-	203,500	-	-	-
Total disbursements	<u>601,115</u>	<u>1,000</u>	<u>-</u>	<u>203,500</u>	<u>-</u>	<u>2,019</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,105,103</u>	<u>2,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,019)</u>	<u>717</u>
Cash and investments - ending	<u>\$ 1,105,103</u>	<u>\$ 8,728</u>	<u>\$ 819</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 268</u>	<u>\$ 3,416</u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Operation Pullover	Fire Hydrant Maintenance	Court Fees	City Park Cum Cap	Loit-Public Safety	Downtown Renovation	Food And Beverage
Cash and investments - beginning	\$ 88	\$ 16,721	\$ 11,956	\$ 496	\$ 624,069	\$ 1,300	\$ 271,157
Receipts:							
Taxes	-	-	-	-	760,927	-	330,227
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	4,492	-	-	-	-	-	-
Fines and forfeits	-	-	851	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	21,749
Total receipts	<u>4,492</u>	<u>-</u>	<u>851</u>	<u>-</u>	<u>760,927</u>	<u>-</u>	<u>351,976</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	4,441	-	-	-	142,582	-	-
Other services and charges	-	-	12,788	-	349,050	1,058	119,475
Capital outlay	-	-	-	-	201,026	-	225,584
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>4,441</u>	<u>-</u>	<u>12,788</u>	<u>-</u>	<u>692,658</u>	<u>1,058</u>	<u>345,059</u>
Excess (deficiency) of receipts over disbursements	<u>51</u>	<u>-</u>	<u>(11,937)</u>	<u>-</u>	<u>68,269</u>	<u>(1,058)</u>	<u>6,917</u>
Cash and investments - ending	<u>\$ 139</u>	<u>\$ 16,721</u>	<u>\$ 19</u>	<u>\$ 496</u>	<u>\$ 692,338</u>	<u>\$ 242</u>	<u>\$ 278,074</u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Food And Beverage Debt Reserve	Historical Preservation Grant	Police Drug Acquisition	Police Drug Evidence	Auditor Court Costs	Bail Bond Admin Bal Bond-Admin	Canine Donation
Cash and investments - beginning	\$ 365,136	\$ 319	\$ 885	\$ 16,765	\$ 4,412	\$ 11,640	\$ 275
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	26	-	-	-
Fines and forfeits	-	-	-	-	50,826	2,440	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	1	5,785	-	-	500
Total receipts	-	-	1	5,811	50,826	2,440	500
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	764	16,568	55,238	-	775
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	764	16,568	55,238	-	775
Excess (deficiency) of receipts over disbursements	-	-	(763)	(10,757)	(4,412)	2,440	(275)
Cash and investments - ending	\$ 365,136	\$ 319	\$ 122	\$ 6,008	\$ -	\$ 14,080	\$ -

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Environmental Renovations	Judicial Salary	Parking Control Fund	Police Camera	Record Perpetuation	Recording Fees	Park Bond
Cash and investments - beginning	\$ 1,146	\$ 44,570	\$ 17,232	\$ 2,416	\$ 97,263	\$ 126	\$ 821
Receipts:							
Taxes	-	-	-	-	-	-	108,578
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	9,648
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	13,455	-	-	6,714	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	251	-	-	46
Total receipts	-	13,455	-	251	6,714	-	118,272
Disbursements:							
Personal services	-	29,042	-	-	-	-	-
Supplies	-	-	-	245	-	-	-
Other services and charges	-	-	-	-	-	-	40,552
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	29,042	-	245	-	-	40,552
Excess (deficiency) of receipts over disbursements	-	(15,587)	-	6	6,714	-	77,720
Cash and investments - ending	\$ 1,146	\$ 28,983	\$ 17,232	\$ 2,422	\$ 103,977	\$ 126	\$ 78,541

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Edit Fund	Emp Trust Donley Company	Fire Pension#3	Police Pension#3	Payroll	Bowen Engr Escrow	Fire Station Escrow Fund
Cash and investments - beginning	\$ 757,698	\$ 580,288	\$ 134,259	\$ 114,609	\$ 112,564	\$ 12,541	\$ 20,904
Receipts:							
Taxes	-	-	202,238	271,188	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	961,997	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	2,100,336	-	-	5,781,323	15	845
Total receipts	<u>961,997</u>	<u>2,100,336</u>	<u>202,238</u>	<u>271,188</u>	<u>5,781,323</u>	<u>15</u>	<u>845</u>
Disbursements:							
Personal services	5,000	1,944,125	214,155	246,015	5,783,731	-	-
Supplies	81,587	-	-	-	-	-	-
Other services and charges	395,420	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	337,359	-	-	-	-	12,556	21,749
Total disbursements	<u>819,366</u>	<u>1,944,125</u>	<u>214,155</u>	<u>246,015</u>	<u>5,783,731</u>	<u>12,556</u>	<u>21,749</u>
Excess (deficiency) of receipts over disbursements	<u>142,631</u>	<u>156,211</u>	<u>(11,917)</u>	<u>25,173</u>	<u>(2,408)</u>	<u>(12,541)</u>	<u>(20,904)</u>
Cash and investments - ending	<u>\$ 900,329</u>	<u>\$ 736,499</u>	<u>\$ 122,342</u>	<u>\$ 139,782</u>	<u>\$ 110,156</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Miscellaneous Fund	Trans Station	WW Refunding Rev Bond 226125	S.W. Refunding Rev Bond 2004	SW Rev Bond Series 2004	Sink Fund 2007	Sewage 2011 Esc 2004
Cash and investments - beginning	\$ 85,630	\$ 220,586	\$ 71,265	\$ 57,720	\$ 79,293	\$ 119,627	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	188,185	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	1,338	139,200	61,888	78,823	238,550	2,937,018
Total receipts	-	189,523	139,200	61,888	78,823	238,550	2,937,018
Disbursements:							
Personal services	-	147,304	-	-	-	-	-
Supplies	-	3,303	-	-	-	-	-
Other services and charges	-	237,284	-	-	-	-	-
Capital outlay	-	144	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	141,420	119,608	158,116	237,350	-
Total disbursements	-	388,035	141,420	119,608	158,116	237,350	-
Excess (deficiency) of receipts over disbursements	-	(198,512)	(2,220)	(57,720)	(79,293)	1,200	2,937,018
Cash and investments - ending	\$ 85,630	\$ 22,074	\$ 69,045	\$ -	\$ -	\$ 120,827	\$ 2,937,018

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Sewer Bond & Interest	Sewer Debt Reserve	Wastewater Utility-Construction	Sewer Operations (Hb)	City Availability (Hb)	Developer Availability (Hb)	Plant Expansion (Hb)
Cash and investments - beginning	\$ 229,241	\$ 826,634	\$ 2,172	\$ 701,269	\$ 59,172	\$ 121,869	\$ 177,592
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	883,501	27,256	-	2,544,768	-	-	-
Total receipts	<u>883,501</u>	<u>27,256</u>	<u>-</u>	<u>2,544,768</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	2,520,835	-	-	-
Other disbursements	1,105,341	19,751	-	513,400	-	-	-
Total disbursements	<u>1,105,341</u>	<u>19,751</u>	<u>-</u>	<u>3,034,235</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(221,840)</u>	<u>7,505</u>	<u>-</u>	<u>(489,467)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 7,401</u>	<u>\$ 834,139</u>	<u>\$ 2,172</u>	<u>\$ 211,802</u>	<u>\$ 59,172</u>	<u>\$ 121,869</u>	<u>\$ 177,592</u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Sewer Improvement (Hb)	Sewer Escrow	Water Bond & Interest	Water Debt Reserve	Water Utility-Construction	Water Construction Ban
Cash and investments - beginning	\$ 569,257	\$ 10,997	\$ 422,929	\$ 506,779	\$ 210	\$ 20,140
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	463,895	14	903,590	132,048	-	9
Total receipts	<u>463,895</u>	<u>14</u>	<u>903,590</u>	<u>132,048</u>	<u>-</u>	<u>9</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	150,000	-	1,217,036	-	210	-
Total disbursements	<u>150,000</u>	<u>-</u>	<u>1,217,036</u>	<u>-</u>	<u>210</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>313,895</u>	<u>14</u>	<u>(313,446)</u>	<u>132,048</u>	<u>(210)</u>	<u>9</u>
Cash and investments - ending	<u>\$ 883,152</u>	<u>\$ 11,011</u>	<u>\$ 109,483</u>	<u>\$ 638,827</u>	<u>\$ -</u>	<u>\$ 20,149</u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Water Operations (Hb)	Water Meter Deposits (Hb)	Water Improvement (Hb)	Lilly Grant	Utility Clearance (Hb)	Totals
Cash and investments - beginning	\$ (110,642)	\$ 79,833	\$ 15,254	\$ 54,554	\$ 286,927	\$ 14,020,205
Receipts:						
Taxes	-	-	-	-	-	5,772,296
Licenses and permits	-	-	-	-	-	23,841
Intergovernmental	-	-	-	-	-	4,224,613
Charges for services	-	-	-	-	-	418,073
Fines and forfeits	-	-	-	-	-	931,376
Utility fees	-	-	-	-	4,166,401	4,166,401
Other receipts	2,314,420	30,320	-	-	510	21,024,560
Total receipts	<u>2,314,420</u>	<u>30,320</u>	<u>-</u>	<u>-</u>	<u>4,166,911</u>	<u>36,561,160</u>
Disbursements:						
Personal services	-	-	-	-	-	14,293,357
Supplies	-	-	-	-	-	515,477
Other services and charges	-	-	-	-	-	2,361,347
Capital outlay	-	-	-	-	-	945,289
Utility operating expenses	2,043,830	-	-	-	5	4,564,670
Other disbursements	159,299	20,023	-	-	4,294,783	10,726,059
Total disbursements	<u>2,203,129</u>	<u>20,023</u>	<u>-</u>	<u>-</u>	<u>4,294,788</u>	<u>33,406,199</u>
Excess (deficiency) of receipts over disbursements	<u>111,291</u>	<u>10,297</u>	<u>-</u>	<u>-</u>	<u>(127,877)</u>	<u>3,154,961</u>
Cash and investments - ending	<u>\$ 649</u>	<u>\$ 90,130</u>	<u>\$ 15,254</u>	<u>\$ 54,554</u>	<u>\$ 159,050</u>	<u>\$ 17,175,166</u>

CITY OF MARTINSVILLE
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
City of Martinsville Government Facility Bldg. Corporation	Lease Rental Revenue Bonds Series 2007	\$ 202,000	12-31-08	02-01-28
Total of annual lease payments		<u>\$ 202,000</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	Redevelopment District Bonds of 2011		\$ 1,720,000	\$ 592,161
General obligation bonds	Park District Bonds Series 2009		485,000	78,410
Revenue bonds	Food and Beverage Tax Revenue Bonds Series 2007		<u>880,000</u>	<u>240,275</u>
Total governmental activities			<u>3,085,000</u>	<u>910,846</u>
Totals			<u>\$ 3,085,000</u>	<u>\$ 910,846</u>

CITY OF MARTINSVILLE
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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.

	Ending Balance
Governmental activities:	
Land	\$ 16,339,713
Infrastructure	7,162,751
Buildings	1,202,795
Machinery, equipment and vehicles	938,272
Total governmental activities	25,643,531
Trash:	
Total Trash	-
Wastewater:	
Infrastructure	15,751,059
Machinery, equipment and vehicles	4,833,374
Total Wastewater	20,584,433
Water:	
Infrastructure	10,281,890
Machinery, equipment and vehicles	5,631,105
Total Water	15,912,995
Total capital assets	\$ 62,140,959

CITY OF MARTINSVILLE
EXAMINATION RESULTS AND COMMENTS

PERSONNEL POLICY, SERVICE AND TIME RECORDS

As stated in prior reports, the City of Martinsville has no formal personnel policy adopted for non-union employees. Each department operates within their own unwritten set of leave time guidelines.

Employee service records showing leave time earned and used were not maintained and presented for audit by the Parks department.

Employee service records were not maintained and presented for audit by the City Court Clerk.

Employee time sheets, attendance and service records were not maintained and presented for audit by the Mayor's office.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POLICE DEPARTMENT RECEIPTS AND FEES

As stated in prior reports, receipts and fees collected by the Police Department were remitted to the Clerk-Treasurer less frequently than once a week.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once a week. (Cities and Towns Bulletin and Uniform compliance guidelines, September 2003)

DEPOSITS

We noted instances where receipts for Martinsville Utilities were deposited later than the next business day.

Indiana Code 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. . . ."

DELINQUENT ACCOUNTS RECEIVABLE

The City of Martinsville Water Utility does not always follow the shut off policy for delinquent customer accounts. Accounts not paid within 30 days are to be shut off and not turned back on until the balance has been paid along with a turn on fee. Water customer accounts with balances of 30, 60 or 90 days delinquent were noted in the Aged Accounts Receivable Trial Balance.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MARTINSVILLE
EXAMINATION 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.

Indiana Code 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."

UTILITY BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS - POLICY AND PRACTICE

The Martinsville Utility accounts receivable balance contained delinquent accounts which have not been written off and for which collection appears unlikely. It was not possible to determine the collectability of the amounts in the report. The Utility does not have a policy which addresses bad debt and uncollectible account procedures.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MARTINSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$980.29 were paid to the Indiana Department of Revenue during 2011 for November 2010 utility sales tax which was due in December 2010 but not paid until January 2011.

Officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ACCOUNTS RECEIVABLE

As stated in the prior report, the combined Water and Wastewater accounts receivable trial balance does not reconcile with the total Water and Wastewater accounts receivable amount recorded on the general ledger.

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 the subsidiary or control ledgers, 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
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2012, with Mary Lou Peden, Clerk-Treasurer; Phil R. Deckard, Mayor; Eric Bowlen, President of Common Council; and Mary Malone, Utility Office Manager. The Official Response has been made a part of this report and may be found on pages 31 and 32.

City of Martinsville

Hon. Phil R. Deckard Sr.
Mayor



October 15, 2012

Indiana State Board of Accounts
302 W. Washington Street
Room E 418
Indianapolis, IN 46204-2765

Re: Official Response

To Whom It May Concern:

Please accept this correspondence as an "**Official Response**" to recently completed Field Audit by representatives of the State Board of Accounts, for the City of Martinsville. Our response is as follows:

PERSONNEL POLICY, SERVICE AND TIME RECORDS:

Official Response: Each Department should not be operating within their own unwritten set of leave time guidelines. Police and Fire personnel have their own guidelines which corresponds with same procedures followed for union employees. Non-Union employees, under the guidance of their Department Heads and/or Elected Official, are instructed to follow the same guidelines as union employees, under supervision of the City Superintendent.

POLICE DEPARTMENT RECEIPTS AND FEES:

Official Response: We believe these violations to be rare; however, a new Mayor's Directive has been issued to the Martinsville City Police Department instructing them to be punctual in meeting such deadlines.

DEPOSITS (Utility):

Official Response: Only on rare occasions were deposits made later than the next business day. These deposits, as noted, were made later than the next business day where affected by a Holiday.....or short staff making it nearly impossible to leave office for said deposit. However, a new Mayor's Directive has been issued to insure the timeliness of compliance from this date.

DELINQUENT ACCOUNTS RECEIVABLE (Utility):

We take exception to the statement that "Water Customer Accounts with current billings and balances 30, 60 or 90 days delinquent were noted in the Aged Accounts Receivable Trial Balance."

Official Response: We have no customers receiving service with delinquent billings of 30, 60 or 90 days. The Customer's current balance would be their Final Bill that is still owing after the 30, 60 or 90 day period, where customer has moved with no forwarding address and the Utility Office has been unsuccessful in locating said customer. Accounts not paid within 30 days are shut off and not turned back on until the balance has been paid along with a turn on fee, unless unusual circumstances have been submitted, and approved, to the Board of Works with an established agreement of how the delinquent balance is to paid in a timely manner.

DELIQUENT WASTEWATER ACCOUNTS - (Utilities):
UTILITY BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS - POLICY AND PRACTICE - (Utilities):

Official Response: We are currently in the process of filing liens on all such noted delinquent accounts pertaining to the collection of sewer delinquencies.

Our Legal Department is in the process of initiating action in attempt to collect all delinquent accounts with the Martinsville Water & Sewer Utility Office.

ACCOUNTS RECEIVABLE (Utilities):

Official Response: We are still working to determine our problem of not being able to reconcile our combined Water and Wastewater accounts receivable trial balance with the total Water and Wastewater accounts receivable amounts as recorded in the general ledger. We have scheduled work shops with our provider, Keystone, to assist in determining where the problem is and work to get it accomplished in an acceptable manner.

Other matters outlined in your Field Audit Exit Report have been taken under advisement and we appreciate the opportunity to respond to your findings. Thank you.

Sincerely,



Phil R. Deckard, Mayor
City of Martinsville

PRD/cm

Cc: Clerk-Treasurer's Office
Water/Sewer Utility Office
File