

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

ANNUAL FINANCIAL REPORT

2010

CITY OF MARTINSVILLE

MORGAN COUNTY, INDIANA



FILED
09/06/2011

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SCHEDULE OF OFFICIALS

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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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 City of Martinsville (City), for the year ended December 31, 2010. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. 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 1, the City prepares its financial statements 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. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated May 31, 2011, 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 integral part of 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 an opinion on the City's 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statements. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statements. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statements and, accordingly, we express no opinion on them.

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

May 31, 2011



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the City of Martinsville (City), for the year ended December 31, 2010, and have issued our report thereon dated May 31, 2011. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1 to be material weaknesses.

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.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit 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 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

May 31, 2011

FINANCIAL STATEMENT(S)

CITY OF MARTINSVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 2,238,106	\$ 7,653,292	\$ 6,415,522	\$ 3,475,876
Petty Cash	500	-	-	500
Motor Vehicle Highway	988,674	1,306,194	1,948,968	345,900
Local Road And Street	292,149	110,433	222,394	180,188
Planning And Zoning	130,170	4,525	2,000	132,695
Community Development Block	-	51,750	50,000	1,750
Law Enforcement Continuing Ed	15,755	17,892	11,926	21,721
Riverboat	175,261	73,206	-	248,467
Speed Grant	2,287	-	-	2,287
Parks And Recreation	437,742	638,163	712,070	363,835
Pretrial Diversion	9,068	207,114	150,115	66,067
Fire Donation	2,001	2,198	1,500	2,699
Rainy Day	239,092	951,534	377,798	812,828
Criminal Justice-State	1,405	-	1,405	-
Operation Pullover	831	2,750	3,493	88
Fire Hydrant Maintenance	16,721	-	-	16,721
Court Fees	11,439	13,757	13,240	11,956
City Park Cum Cap	496	-	-	496
Loit-Public Safety	751,073	916,202	1,043,206	624,069
Downtown Renovation	1,300	-	-	1,300
Block Law Enforcement Grant	-	-	-	-
Food And Beverage	426,234	300,233	455,310	271,157
Food And Beverage Debt Reserve	365,136	-	-	365,136
Historical Preservation Grant	2,819	-	2,500	319
Police Drug Acquisition	1,443	73	631	885
Police Drug Evidence	20,088	7,492	10,815	16,765
Auditor Court Costs	-	68,702	64,290	4,412
Bail Bond Admin Bal Bond-Admin	9,500	2,140	-	11,640
Canine Donation	275	-	-	275
Environmental Renovations	1,146	-	-	1,146
Judicial Salary	55,216	17,279	27,925	44,570
Parking Control Fund	17,232	-	-	17,232
Police Camera	35,250	2,256	35,090	2,416
Record Perpetuation	88,009	9,254	-	97,263
Recording Fees	126	-	-	126
Park Bond	420,304	340	419,823	821
Fire	311,715	128,272	66,000	373,987
Industrial Park (Construction)	40,397	-	-	40,397
Cumulative Capital Improvement	179,962	18,672	214	198,420
Edit Fund	1,326,816	1,432,373	2,001,491	757,698
Emp Trust Donley Company	289,233	2,002,492	1,711,437	580,288
Fire Pension#3	107,070	219,158	191,969	134,259
Police Pension#3	47,815	290,752	223,959	114,608
Martinsville City Court	42,660	886,598	887,232	42,026
Payroll	191,332	5,426,724	5,598,551	19,505
Bowen Engr Escrow	12,510	31	-	12,541
Cbi Construction Escrow	34,400	63	34,463	-
Fire Station Escrow Fund	20,852	52	-	20,904
Reed & Sons Escrow	-	-	-	-
Miscellaneous Fund	85,630	-	-	85,630
Water Bond & Interest/105467	448,326	951,807	977,204	422,929
Water Debt Reserve/105468	385,659	198,153	77,033	506,779
Sewer Bond & Interest/105460	420,227	1,536,971	1,727,957	229,241
Sewer Debt Reserve/105461	720,204	155,271	48,841	826,634
Wastewater Utility-Construction	2,169	3	-	2,172
Sewer Operations (Hb)	178,883	3,219,298	2,559,899	838,282
City Availability (Hb)	58,035	1,137	-	59,172
Developer Availability (Hb)	117,276	4,593	-	121,869
Plant Expansion (Hb)	91,763	85,829	-	177,592
Sewer Improvement (Hb)	665,903	7,104	103,750	569,257
Sewer Escrow	10,971	26	-	10,997
Trans Station	61,654	392,591	233,659	220,586
Water Utility-Construction	210	-	-	210
Water Construction Ban	20,118	22	-	20,140
Water Operations (Hb)	(67,491)	2,225,564	2,196,899	(38,826)
Water Meter Deposits (Hb)	70,977	26,550	17,694	79,833
Water Improvement (Hb)	24,407	31	9,184	15,254
Lilly Grant	81,008	-	26,454	54,554
Utility Clearance (Hb)	295,457	4,206,128	4,214,658	286,927
Totals	\$ 13,032,996	\$ 35,773,044	\$ 34,878,569	\$ 13,927,471

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

CITY OF MARTINSVILLE, MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT(S)

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, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

B. Basis of Accounting

The financial statements are 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 statements. The aggregate receipts may include, but are not limited to, 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.

CITY OF MARTINSVILLE, MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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 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 statements. The aggregate disbursements may include, but are not limited to, 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.

CITY OF MARTINSVILLE, MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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

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, MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(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 and replacement items purchased.

Note 6. Pension Plan(s)

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 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 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.

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. That report may be obtained by contacting:

CITY OF MARTINSVILLE, MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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

Funding Policy and Annual Pension Cost

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

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 Public Employees' Retirement Fund 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 Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

CITY OF MARTINSVILLE, MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(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 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 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.

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City of Martinsville's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Petty Cash	Motor Vehicle Highway	Local Road And Street	Planning And Zoning	Community Development Block	Law Enforcement Continuing Ed
Cash and investments - beginning	\$ 2,238,106	\$ 500	\$ 988,674	\$ 292,149	\$ 130,170	\$ -	\$ 15,755
Receipts:							
Taxes	2,684,467	-	652,979	-	-	-	-
Licenses and permits	11,264	-	-	-	-	-	4,820
Intergovernmental	3,521,653	-	450,842	110,433	-	51,750	-
Charges for services	103,807	-	-	-	-	-	6,567
Fines and forfeits	122,840	-	-	-	-	-	1,705
Utility fees	-	-	-	-	-	-	-
Other receipts	1,209,261	-	202,373	-	4,525	-	4,800
Total receipts	<u>7,653,292</u>	<u>-</u>	<u>1,306,194</u>	<u>110,433</u>	<u>4,525</u>	<u>51,750</u>	<u>17,892</u>
Disbursements:							
Personal services	3,969,232	-	1,190,142	-	-	-	-
Supplies	40,864	-	405,443	-	-	50,000	-
Other services and charges	838,128	-	198,763	-	-	-	11,926
Capital outlay	9,240	-	154,620	222,394	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,558,058	-	-	-	2,000	-	-
Total disbursements	<u>6,415,522</u>	<u>-</u>	<u>1,948,968</u>	<u>222,394</u>	<u>2,000</u>	<u>50,000</u>	<u>11,926</u>
Excess (deficiency) of receipts over disbursements	<u>1,237,770</u>	<u>-</u>	<u>(642,774)</u>	<u>(111,961)</u>	<u>2,525</u>	<u>1,750</u>	<u>5,966</u>
Cash and investments - ending	<u>\$ 3,475,876</u>	<u>\$ 500</u>	<u>\$ 345,900</u>	<u>\$ 180,188</u>	<u>\$ 132,695</u>	<u>\$ 1,750</u>	<u>\$ 21,721</u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Riverboat	Speed Grant	Parks And Recreation	Pretrial Diversion	Fire Donation	Rainy Day	Criminal Justice-State
Cash and investments - beginning	\$ 175,261	\$ 2,287	\$ 437,742	\$ 9,068	\$ 2,001	\$ 239,092	\$ 1,405
Receipts:							
Taxes	-	-	473,766	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	73,206	-	49,943	-	-	751,534	-
Charges for services	-	-	100,737	-	-	-	-
Fines and forfeits	-	-	-	207,114	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	13,717	-	2,198	200,000	-
Total receipts	<u>73,206</u>	<u>-</u>	<u>638,163</u>	<u>207,114</u>	<u>2,198</u>	<u>951,534</u>	<u>-</u>
Disbursements:							
Personal services	-	-	300,530	-	-	-	-
Supplies	-	-	18,629	-	-	-	-
Other services and charges	-	-	149,060	150,115	-	-	-
Capital outlay	-	-	243,851	-	-	-	1,405
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	1,500	377,798	-
Total disbursements	<u>-</u>	<u>-</u>	<u>712,070</u>	<u>150,115</u>	<u>1,500</u>	<u>377,798</u>	<u>1,405</u>
Excess (deficiency) of receipts over disbursements	<u>73,206</u>	<u>-</u>	<u>(73,907)</u>	<u>56,999</u>	<u>698</u>	<u>573,736</u>	<u>(1,405)</u>
Cash and investments - ending	<u>\$ 248,467</u>	<u>\$ 2,287</u>	<u>\$ 363,835</u>	<u>\$ 66,067</u>	<u>\$ 2,699</u>	<u>\$ 812,828</u>	<u>\$ -</u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Operation Pullover	Fire Hydrant Maintenance	Court Fees	City Park Cum Cap	Loit-Public Safety	Downtown Renovation	Block Law Enforcement Grant
Cash and investments - beginning	\$ 831	\$ 16,721	\$ 11,439	\$ 496	\$ 751,073	\$ 1,300	\$ -
Receipts:							
Taxes	-	-	-	-	916,202	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,750	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	13,757	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>2,750</u>	<u>-</u>	<u>13,757</u>	<u>-</u>	<u>916,202</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	3,493	-	-	-	317,301	-	-
Supplies	-	-	-	-	104,183	-	-
Other services and charges	-	-	13,240	-	297,167	-	-
Capital outlay	-	-	-	-	324,555	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>3,493</u>	<u>-</u>	<u>13,240</u>	<u>-</u>	<u>1,043,206</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(743)</u>	<u>-</u>	<u>517</u>	<u>-</u>	<u>(127,004)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 88</u>	<u>\$ 16,721</u>	<u>\$ 11,956</u>	<u>\$ 496</u>	<u>\$ 624,069</u>	<u>\$ 1,300</u>	<u>\$ -</u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Food And Beverage	Food And Beverage Debt Reserve	Historical Preservation Grant	Police Drug Acquisition	Police Drug Evidence	Auditor Court Costs	Bail Bond Admin Bal Bond-Admin
Cash and investments - beginning	\$ 426,234	\$ 365,136	\$ 2,819	\$ 1,443	\$ 20,088	\$ -	\$ 9,500
Receipts:							
Taxes	300,233	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	68,702	2,140
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	73	7,492	-	-
Total receipts	300,233	-	-	73	7,492	68,702	2,140
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	2,500	-	-	-	-
Other services and charges	455,310	-	-	-	10,815	64,290	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	631	-	-	-
Total disbursements	455,310	-	2,500	631	10,815	64,290	-
Excess (deficiency) of receipts over disbursements	(155,077)	-	(2,500)	(558)	(3,323)	4,412	2,140
Cash and investments - ending	<u>\$ 271,157</u>	<u>\$ 365,136</u>	<u>\$ 319</u>	<u>\$ 885</u>	<u>\$ 16,765</u>	<u>\$ 4,412</u>	<u>\$ 11,640</u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Canine Donation	Environmental Renovations	Judicial Salary	Parking Control Fund	Police Camera	Record Perpetuation	Recording Fees
Cash and investments - beginning	\$ 275	\$ 1,146	\$ 55,216	\$ 17,232	\$ 35,250	\$ 88,009	\$ 126
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	17,279	-	-	9,254	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	2,256	-	-
Total receipts	-	-	17,279	-	2,256	9,254	-
Disbursements:							
Personal services	-	-	27,925	-	-	-	-
Supplies	-	-	-	-	35,090	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	27,925	-	35,090	-	-
Excess (deficiency) of receipts over disbursements	-	-	(10,646)	-	(32,834)	9,254	-
Cash and investments - ending	<u>\$ 275</u>	<u>\$ 1,146</u>	<u>\$ 44,570</u>	<u>\$ 17,232</u>	<u>\$ 2,416</u>	<u>\$ 97,263</u>	<u>\$ 126</u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Park Bond	Fire	Industrial Park (Construction)	Cumulative Capital Improvement	Edit Fund	Emp Trust Donley Company	Fire Pension#3
Cash and investments - beginning	\$ 420,304	\$ 311,715	\$ 40,397	\$ 179,962	\$ 1,326,816	\$ 289,233	\$ 107,070
Receipts:							
Taxes	-	123,700	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	4,572	-	18,672	1,432,373	-	219,158
Charges for services	-	-	-	-	-	2,002,492	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	340	-	-	-	-	-	-
Total receipts	340	128,272	-	18,672	1,432,373	2,002,492	219,158
Disbursements:							
Personal services	419,823	-	-	-	1,250	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	203,634	1,711,437	-
Capital outlay	-	66,000	-	214	1,696,607	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	100,000	-	191,969
Total disbursements	419,823	66,000	-	214	2,001,491	1,711,437	191,969
Excess (deficiency) of receipts over disbursements	(419,483)	62,272	-	18,458	(569,118)	291,055	27,189
Cash and investments - ending	\$ 821	\$ 373,987	\$ 40,397	\$ 198,420	\$ 757,698	\$ 580,288	\$ 134,259

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Police Pension#3	Martinsville City Court	Payroll	Bowen Engr Escrow	Cbi Construction Escrow	Fire Station Escrow Fund	Reed & Sons Escrow
Cash and investments - beginning	\$ 47,815	\$ 42,660	\$ 191,332	\$ 12,510	\$ 34,400	\$ 20,852	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	290,752	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	886,598	5,426,724	31	63	52	-
Total receipts	290,752	886,598	5,426,724	31	63	52	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	223,959	887,232	5,598,551	-	34,463	-	-
Total disbursements	223,959	887,232	5,598,551	-	34,463	-	-
Excess (deficiency) of receipts over disbursements	66,793	(634)	(171,827)	31	(34,400)	52	-
Cash and investments - ending	<u>\$ 114,608</u>	<u>\$ 42,026</u>	<u>\$ 19,505</u>	<u>\$ 12,541</u>	<u>\$ -</u>	<u>\$ 20,904</u>	<u>\$ -</u>

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Miscellaneous Fund	Water Bond & Interest/105467	Water Debt Reserve/105468	Sewer Bond & Interest/105460	Sewer Debt Reserve/105461	Wastewater Utility-Construction	Sewer Operations (Hb)
Cash and investments - beginning	\$ 85,630	\$ 448,326	\$ 385,659	\$ 420,227	\$ 720,204	\$ 2,169	\$ 178,883
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	951,807	198,153	1,536,971	155,271	3	3,219,298
Total receipts	-	951,807	198,153	1,536,971	155,271	3	3,219,298
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	2,278,852
Other disbursements	-	977,204	77,033	1,727,957	48,841	-	281,047
Total disbursements	-	977,204	77,033	1,727,957	48,841	-	2,559,899
Excess (deficiency) of receipts over disbursements	-	(25,397)	121,120	(190,986)	106,430	3	659,399
Cash and investments - ending	\$ 85,630	\$ 422,929	\$ 506,779	\$ 229,241	\$ 826,634	\$ 2,172	\$ 838,282

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	City Availability (Hb)	Developer Availability (Hb)	Plant Expansion (Hb)	Sewer Improvement (Hb)	Sewer Escrow	Trans Station	Water Utility-Construction
Cash and investments - beginning	\$ 58,035	\$ 117,276	\$ 91,763	\$ 665,903	\$ 10,971	\$ 61,654	\$ 210
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	392,523	-
Other receipts	1,137	4,593	85,829	7,104	26	68	-
Total receipts	1,137	4,593	85,829	7,104	26	392,591	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	103,750	-	86,344	-
Other disbursements	-	-	-	-	-	147,315	-
Total disbursements	-	-	-	103,750	-	233,659	-
Excess (deficiency) of receipts over disbursements	1,137	4,593	85,829	(96,646)	26	158,932	-
Cash and investments - ending	\$ 59,172	\$ 121,869	\$ 177,592	\$ 569,257	\$ 10,997	\$ 220,586	\$ 210

CITY OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Construction Ban	Water Operations (Hb)	Water Meter Deposits (Hb)	Water Improvement (Hb)	Lilly Grant	Utility Clearance (Hb)	Totals
Cash and investments - beginning	\$ 20,118	\$ (67,491)	\$ 70,977	\$ 24,407	\$ 81,008	\$ 295,457	\$ 13,032,996
Receipts:							
Taxes	-	-	-	-	-	-	5,151,347
Licenses and permits	-	-	-	-	-	-	16,084
Intergovernmental	-	-	-	-	-	-	6,977,638
Charges for services	-	-	-	-	-	-	2,213,603
Fines and forfeits	-	-	-	-	-	-	442,791
Utility fees	-	-	26,550	-	-	4,205,534	4,624,607
Other receipts	22	2,225,564	-	31	-	594	16,346,974
Total receipts	<u>22</u>	<u>2,225,564</u>	<u>26,550</u>	<u>31</u>	<u>-</u>	<u>4,206,128</u>	<u>35,773,044</u>
Disbursements:							
Personal services	-	-	-	-	-	-	6,229,696
Supplies	-	-	-	-	-	-	656,709
Other services and charges	-	-	-	-	-	-	4,103,885
Capital outlay	-	-	-	-	-	-	2,718,886
Utility operating expenses	-	1,937,274	-	1,374	-	-	4,407,594
Other disbursements	-	259,625	17,694	7,810	26,454	4,214,658	16,761,799
Total disbursements	<u>-</u>	<u>2,196,899</u>	<u>17,694</u>	<u>9,184</u>	<u>26,454</u>	<u>4,214,658</u>	<u>34,878,569</u>
Excess (deficiency) of receipts over disbursements	<u>22</u>	<u>28,665</u>	<u>8,856</u>	<u>(9,153)</u>	<u>(26,454)</u>	<u>(8,530)</u>	<u>894,475</u>
Cash and investments - ending	<u>\$ 20,140</u>	<u>\$ (38,826)</u>	<u>\$ 79,833</u>	<u>\$ 15,254</u>	<u>\$ 54,554</u>	<u>\$ 286,927</u>	<u>\$ 13,927,471</u>

CITY OF MARTINSVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

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	\$ 5,581,651
Infrastructure	11,389,723
Buildings	1,507,402
Improvements other than buildings	390,487
Machinery and equipment	<u>5,811,138</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 24,680,401</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Infrastructure	\$ 9,795,284
Machinery and equipment	<u>42,885</u>
Total Water Utility capital assets	<u>9,838,169</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	222,641
Infrastructure	20,138,509
Machinery and equipment	<u>2,870,373</u>
Total Wastewater Utility capital assets	<u>23,231,523</u>
Total business-type activities capital assets	<u>33,069,692</u>

CITY OF MARTINSVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

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	\$ 2,310,000	\$ 199,995
Fire truck	32,246	33,000
Bobcat loader	16,532	9,410
Durapatcher	59,500	22,050
Backhoe	60,927	15,353
Bucket Truck	74,038	26,880
Bonds payable:		
General obligation bonds:		
Fire station	1,170,000	237,350
Parks and recreation	<u>575,000</u>	<u>81,193</u>
Total governmental activities debt	<u>\$ 4,298,243</u>	<u>\$ 625,231</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Water works refunding bonds of 2004	<u>570,000</u>	<u>141,420</u>
Total Water Utility	<u>570,000</u>	<u>141,420</u>
Wastewater Utility:		
Loans:		
2005 SRF loan	495,000	42,804
2009 SRF loan	355,000	24,088
Revenue bonds:		
Sewage works refund bonds of 2004	630,000	119,608
Sewage works bonds of 2004	<u>2,360,000</u>	<u>158,116</u>
Total Wastewater Utility	<u>3,840,000</u>	<u>344,616</u>
Total business-type activities debt	<u>\$ 4,410,000</u>	<u>\$ 486,036</u>

CITY OF MARTINSVILLE
OTHER REPORT(S)

The annual report presented herein was prepared in addition to other official report(s) prepared for the individual City office(s) listed below:

City Court

CITY OF MARTINSVILLE
AUDIT RESULT(S) AND COMMENT(S)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the City of Martinsville relating to payroll processing. We believe the following deficiencies constitute material weaknesses.

Payroll for the City is processed every two weeks. One payroll clerk in the Clerk-Treasurer's Office is responsible for processing payroll. The Payroll Clerk is responsible for entering hours worked, processing the payroll (which includes calculating gross and net pay, and posting payroll to the general ledger), making the bank transfer, processing direct deposit transactions and preparing manual payroll checks if needed. Additionally, the same Payroll Clerk pays the withholdings and deductions to the proper authorities.

We found instances where federal withholdings for the Payroll Clerk's own pay were changed, and not properly calculated based upon her W-4 on file. Although a W-4 is maintained for each employee, no one other than the payroll clerk is responsible for approving a change to a withholding or deduction.

Duties within the payroll process are not properly segregated. Additionally, the City does not adequately monitor activities in regards to payroll and related liabilities. Monitoring activities should be put in place where someone other than the payroll clerk reviews payroll transactions after each process. Duties should be segregated between entering, processing, and approval of payroll. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYROLL DEDUCTIONS

Federal withholdings were not withheld from Payroll Clerk Amanda Cox's gross pay for six pay periods. The checks were dated July 16, 2010, July 30, 2010, August 13, 2010, August 27, 2010, September 10, 2010, and September 24, 2010. Withholdings resumed with the check dated October 8, 2010, and continued. Ms. Cox's W-4 showed zero allowances on Line 4 and \$20 additional withheld each paycheck on Line 5. Ms. Cox was relieved of her duties with the City on May 16, 2011.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MARTINSVILLE
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

PENSION CALCULATION (Firefighter Pension)

A Firefighter survivor's pension benefit was incorrectly calculated for the years 2009 and 2010, resulting in an underpayment to the recipient of \$6,411.90 in 2009 and \$6,486.80 in 2010. The calculation used was 30 percent of 50 percent of a first class firefighter's salary (plus longevity) at time of payment. The member died before January 1, 1989, and, therefore, the calculation that should have been used is 30 percent of a first class firefighter's salary (plus longevity) at time of payment. See Indiana Code 36-8-7-12.2(d)(1)(A) below. The incorrect calculation was used until it was discovered during our audit and brought to the City's attention in March of 2011. Officials were instructed to take corrective action and pay the underpayment to the survivor.

Indiana Code 36-8-7-12.2 states in part:

"(d) If a member dies while in active service or after retirement:

(1) the surviving spouse is entitled to receive an amount fixed by ordinance but not less than:

(A) for the surviving spouse of a member who dies before January 1, 1989, thirty percent (30%) of the salary of a fully paid first class firefighter in the unit at the time of the payment of the pension . . ."

PERSONNEL POLICY, SERVICE AND TIME RECORDS

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.

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

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 each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

CITY COURT DEPOSITS

In numerous instances, receipts were deposited later than the next business day. Receipts selected for testing were not always deposited intact. A similar comment appeared in previous audit reports.

CITY OF MARTINSVILLE
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

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; and (2) approved as depositories of state funds."

CLERK'S TRUST ITEMS OVER FIVE YEARS OLD (City Court)

Our review of trust items on hand revealed that many items had been on hand for a period of five years or longer. A similar comment appeared in previous audit reports.

Indiana Code 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 becomes distributable. The property or proceeds must be treated as unclaimed property under 32-34-3."

PUBLIC RECORDS RETENTION (City Court)

Handwritten City Court receipts were not presented for audit. The City Court only maintained handwritten receipts for August 2010 to the present date. All other handwritten receipts were not presented for audit.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN FUND BALANCES (Utilities)

The Water Operating Fund was overdrawn in 2010.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX (Utilities)

The City of Martinsville Utilities failed to pay Utility Receipts Tax to the Indiana Department of Revenue during the audit period. The unit paid the 2nd, 3rd, and 4th 2010 quarterly Utility Receipts Tax on April 6, 2011, in the amount of \$20,646, which included \$2,433 in penalties and interest. The 2010 1st quarter receipts tax has not been paid as of May 18, 2011.

CITY OF MARTINSVILLE
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

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)

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES (Utilities)

Penalties and interest totaling \$5,036.17 were paid to the Indiana Department of Revenue during 2010, for the period May 2009 to December 2009.

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)

CUSTOMER DEPOSIT REGISTER (Utilities)

The detailed Water Utility 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)

ACCOUNTS RECEIVABLE (Utilities)

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 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)

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, 2010. 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-3.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses. A deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2010-2 to be a material weakness.

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on the response.

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

May 31, 2011

CITY OF MARTINSVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/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			
CDBG State-Administered Small Cities Program Cluster			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (State-Administered Small Cities Program)	14.228	DR1A-09-110 DR1A-09-094 PL-09-014	\$ 85,595 50,340 <u>47,250</u>
Total for program			<u>183,185</u>
Total for cluster			<u>183,185</u>
Total for federal grantor agency			<u>183,185</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Department of Justice			
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Grants To Units Of Local Governments	16.804		<u>32,200</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600	OP-10-02-01-76 OP-11-02-01-69	1,750 <u>1,000</u>
Total for federal grantor agency			<u>2,750</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority			
Capitalization Grants for Clean Water State Revolving Funds State Revolving Fund Loan 2009 Series	66.458	WW09815503	<u>115,440</u>
ARRA-Capitalization Grants for Clean Water State Revolving Funds State Revolving Fund Loan 2009 Series - Forgivable	66.458	WW09815503	<u>390,533</u>
Capitalization Grants for Drinking Water State Revolving Funds State Revolving Fund Loan 2007 Series	66.468	DW10222101	<u>16,600</u>
Total for federal grantor agency			<u>522,573</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>82,063</u>
Hazard Mitigation Grant Program (HMGP)	97.039	HM 1766	<u>1,665,369</u>
Total for federal grantor agency			<u>1,747,432</u>
Total federal awards expended			<u>\$ 2,488,140</u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MARTINSVILLE
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. 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 Statement(s):

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	no
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	no
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?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	ARRA-Capitalization Grants for Clean Water State Revolving Fund
66.458	Capitalization Grants for Clean Water State Revolving Fund
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

FINDING 2010-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the City of Martinsville relating to payroll processing. We believe the following deficiencies constitute material weaknesses.

Payroll for the City is processed every two weeks. One Payroll Clerk in the Clerk-Treasurer's Office is responsible for processing payroll. The Payroll Clerk is responsible for entering hours worked, processing the payroll (which includes calculating gross and net pay, and posting payroll to the general ledger), making the bank transfer, processing direct deposit transactions, and preparing manual payroll checks if needed. Additionally, the same Payroll Clerk pays the withholdings and deductions to the proper authorities.

CITY OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We found instances where federal withholdings for the Payroll Clerk's own pay were changed, and not properly calculated based upon her W-4 on file. Although a W-4 is maintained for each employee, no one other than the Payroll Clerk is responsible for approving a change to a withholding or deduction.

Duties within the payroll process are not properly segregated. Additionally, the City does not adequately monitor activities in regards to payroll and related liabilities. Monitoring activities should be put in place where someone other than the Payroll Clerk reviews payroll transactions after each process. Duties should be segregated between entering, processing, and approval of payroll. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-2 - INTERNAL CONTROLS OVER MAJOR PROGRAMS

Federal Agency: Federal Emergency Management Agency (FEMA), Department of Homeland Security
Federal Program: Hazard Mitigation
CFDA Number: 97.039

Controls over the monitoring of cash management, matching, and reporting requirements were not in place. Circular A-133, Subpart C, §___. 300 requires the auditee to: "Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Lack of properly designed and implemented internal controls could cause a material noncompliance to the compliance requirement or to the program as a whole. Noncompliance with requirements established could cause the City to be ineligible for future funding.

We recommended the City establish controls to monitor compliance to ensure proper payout of funds, the minimum percentage of matching funds is provided, and reporting requirements are being followed.

CITY OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2010-03 - REPORTING

Federal Agency: Federal Emergency Management Agency (FEMA), Department of Homeland Security
Federal Program: Hazard Mitigation
CFDA Number: 97.039
Pass-Through: Indiana Department of Homeland Security

As part of the grant agreement between the City and the Indiana Department of Homeland Security, the City is required to submit quarterly reports to Indiana Department of Homeland Security; however, the City did not file any reports. The Officials for the City have not established any controls or procedures for preparing or filing the required reports.

The Homeland Security Sub-Grant Agreement between the Indiana Department of Homeland Security and the City of Martinsville, Section 5, Implementation of Project, Part E, states:

Until completion and acceptance of the Fiscal Year Close-out Audit required by Paragraph 9 of this Agreement, Sub-grantee shall submit to the State quarterly progress reports (QPR), due the 15th day of the month following the end of the quarter on the following schedule:

January - March	Due April 15
April - June	Due July 15
July - September	Due October 15
October- December	Due January 15

Failure to provide the required reports will result in the suspension of funds until the required reports are provided and approved by the State.

The City is not in compliance with reporting requirements for this program. Failure to comply with these requirements could cause the City to be ineligible to receive future federal awards.

We recommended that officials prepare all required reports on a timely basis, and that they contact the Indiana Department of Homeland Security regarding whether to file previously required reports.

CITY OF MARTINSVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF MARTINSVILLE
CORRECTIVE ACTION PLAN

Finding No 2010-1 - Internal Controls Over Financial Transactions and Reporting

Auditee Contact Person (s)
Mary Lou Peden, Clerk-Treasurer
(765) 342-6012 ext 8
mlpeden@scican.net

Becky Tumey, Deputy Clerk
(765) 342-6012 ext 4
btumey@scican.net

Expected Completion Date: 12/31/2011

The office of the Clerk-Treasurer will take the following action (s) in response to the above SBA comment to insure compliance of proper payroll procedures.

1. The Payroll Clerk that is responsible for this Corrective Action Plan, was terminated, effective May 16, 2011.
2. All employee personnel files will be audited for proper payroll forms, such as W-4. This will be conducted on an annual basis.
3. At each month-end, the payroll clerk's pay file shall be audited. Points of testing shall include compliance with tax withholding; proper salary and current withholding documents. This shall be performed by the person responsible for month-end procedures.
4. At each month-end, the person responsible for closing the month shall perform a random audit of pay files from each department. Each department will have at least 2 files audited. Further testing and action will occur only if discrepancies are discovered.

These corrective actions were completed by 12/31/2011, and will be applied to all applicable grants in the future.

Signed: 
Mary Lou Peden, Clerk-Treasurer

Date: 7/5/11

CITY OF MARTINSVILLE
CORRECTIVE ACTION PLAN

Finding No 2010-02 -

Internal Controls over Major Programs

Federal Agency:

Federal Emergency Management Agency (FEMA), Department of Homeland Security

Federal Program:

Hazard Mitigation

CFDA Number:

97.039

Pass-Through:

Indiana Department of Homeland Security

Auditee Contact Person (s)

Mary Lou Peden, Clerk-Treasurer

(765) 342-6012 ext 8

mlpeden@scican.net

Becky Tumey, Deputy Clerk

(765) 342-6012 ext 4

btumey@scican.net

Expected Completion Date: 12/31/2011

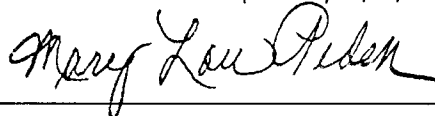
Corrective Action:

The City of Martinsville will take the following action (s) in response to the above SBA comment to insure compliance of proper reporting.

1. Once advised of grants, and other funding, the Clerk-Treasurer shall meet with other Department Heads, including the Mayor, and discuss required reports.
2. Discussions of required reports will result in a designated person or office, being responsible for the filing of required reports.
3. The office of the Clerk-Treasurer shall make the reports a part of the file for said grant (s). Also, the City Engineer will be reminded of future reports.

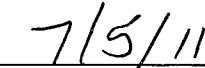
These corrective actions were completed by 12/31/2011, and will be applied to all applicable grants in the future.

Signed:



Mary Lou Peden, Clerk-Treasurer

Date:



CITY OF MARTINSVILLE
CORRECTIVE ACTION PLAN

Finding No 2010-1 -

Reporting

Federal Agency:

Federal Emergency Management Agency (FEMA), Department of Homeland Security

Federal Program:

Hazard Mitigation

CFDA Number:

97.039

Auditee Contact Person (s)

Mary Lou Peden, Clerk-Treasurer

(765) 342-6012 ext 8

mlpeden@scican.net

Becky Tumey, Deputy Clerk

(765) 342-6012 ext 4

btumey@scican.net

Expected Completion Date:

12/31/2011

Corrective Action:

City of Martinsville took the following action (s) in response to the above SBA comment to ensure compliance of federally funded grants in excess of \$2,000.00:

1. When a grant is applied for on behalf of the City of Martinsville, the submitting grant writer, shall forward a copy of the grant application to the office of the Martinsville Clerk Treasurer. This will be pursued by this office once we are informed.
2. Upon award of said grant (s), the Office of the Clerk-Treasurer, shall maintain separate fund, appropriation and revenue lines to ensure the proper payout of funds.

These corrective actions were completed by 12/31/2011, and will be applied to all applicable grants in the future.

Signed:


Mary Lou Peden, Clerk-Treasurer

Date:

7/5/11

CITY OF MARTINSVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 20, 2011, with Phil R. Deckard, Mayor; David Trout, President of the Common Council; Mary Malone, Utility Office Manager; and Diane Selch, Assistant Utility Office Manager. The officials concurred with our audit findings.

The contents of this report were discussed on July 26, 2011, with Mary Lou Peden, Clerk-Treasurer, and Rebecca Tumey, Deputy Clerk-Treasurer.