

**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, 2012 to December 31, 2012



**FILED**  
11/22/2013



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary Lou Peden	01-01-12 to 12-31-15
Mayor	Phil R. Deckard	01-01-12 to 12-31-15
President of the Board of Public Works	Phil R. Deckard	01-01-12 to 12-31-13
President of the Common Council	Eric Bowlen	01-01-12 to 12-31-13
Superintendent of Utilities	Kevin Broyer	01-01-12 to 12-31-13
Utility Office Manager	Mary Malone	01-01-12 to 12-31-13



**STATE OF INDIANA**  
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STATE BOARD OF ACCOUNTS  
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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, 2012. 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. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

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, 2012, on the basis of accounting described in Note 1.

INDEPENDENT ACCOUNTANT'S REPORT  
(Continued)

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.

  
Paul D. Joyce, CPA  
State Examiner

November 6, 2013

## 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, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 3,206,330	\$ 7,748,367	\$ 7,212,732	\$ 3,741,965
Motor Vehicle Highway	64,888	1,609,174	1,218,607	455,455
Local Road And Street	209,470	109,164	18,739	299,895
Planning And Zoning	136,370	5,550	345	141,575
CRIMINAL JUSTICE	-	3,493	-	3,493
Community Development Block	1,238	-	-	1,238
Law Enforcement Continuing Ed	29,666	31,600	29,463	31,803
Riverboat	321,674	70,068	66,109	325,633
Parks And Recreation	571,374	649,646	517,906	703,114
Pretrial Diversion	94,844	145,788	131,782	108,850
Rainy Day	408,562	-	345,994	62,568
T.I.F. MORGAN STREET	-	449	328	121
Cumulative Capital Development	437,560	197,676	535,082	100,154
Industrial Park (Construction)	40,397	-	-	40,397
Cumulative Capital Improvement	232,014	31,791	-	263,805
Martinsville City Court	55,717	628,568	642,914	41,371
2007 D&R FD 318119	8,728	3,540	-	12,268
2007 Const F.D. 318120	819	-	819	-
2007 Pay Agt 318122	-	205,000	101,000	104,000
MUNICIPAL BLDG BOND	-	379,386	4,086	375,300
GO BOND 2011	1,105,103	382,227	1,099,439	387,891
Petty Cash	500	-	-	500
Speed Grant	268	-	-	268
Fire Donation	3,416	-	-	3,416
Operation Pullover	139	5,680	5,809	10
Fire Hydrant Maintenance	16,721	4,940	-	21,661
Court Fees	19	21,709	10,457	11,271
City Park Cum Cap	496	-	-	496
Loit-Public Safety	692,338	986,755	660,168	1,018,925
Downtown Renovation	242	-	-	242
Food And Beverage	278,074	324,722	445,275	157,521
Food And Beverage Debt Reserve	365,136	-	-	365,136
Historical Preservation Grant	319	-	-	319
Police Drug Acquisition	122	-	122	-
Police Drug Evidence	6,008	47,558	35,303	18,263
Auditor Court Costs	-	51,351	51,351	-
Bail Bond Admin Bal Bond-Admin	14,080	2,679	-	16,759
Environmental Renovations	1,146	-	-	1,146
Judicial Salary	28,983	14,054	31,442	11,595
Parking Control Fund	17,232	-	-	17,232

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

CITY OF MARTINSVILLE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2012  
(Continued)

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Police Camera	2,422	194	2,056	560
Record Perpetuation	103,977	6,775	-	110,752
Recording Fees	126	-	-	126
Park Bond	78,541	77,581	84,905	71,217
Edit Fund	900,329	603,375	790,367	713,337
Emp Trust Donley Company	736,499	2,118,498	3,403,329	(548,332)
Fire Pension#3	122,342	210,089	207,510	124,921
Police Pension#3	139,782	249,493	255,507	133,768
Payroll	110,156	5,881,685	5,827,637	164,204
Miscellaneous Fund	85,630	-	-	85,630
Trans Station	22,074	2,757	180	24,651
Com Ind Fac Bg GRP Lease Rental Bonds 2012	-	1,980,086	1,311,370	668,716
WW Refunding Rev Bond 226125	69,045	67,890	136,935	-
S.W. Refunding Rev Bond 2004	-	550,813	550,813	-
SW Rev Bond Series 2004	-	2,386,205	2,386,205	-
Sink Fund 2007	120,827	240,276	239,528	121,575
Sewage 2011 Esc 2004	2,937,018	-	-	2,937,018
Sewer Bond & Interest	7,401	556,100	415,593	147,908
Sewer Debt Reserve	834,139	1,928	-	836,067
Sewage Ref 2011-PA	-	133,735	133,735	-
Martinsville GFBC 2012 DSRF	-	138,703	-	138,703
Wastewater Utility-Construction	2,172	1	745	1,428
Sewer Operations (Hb)	211,802	2,476,854	2,288,026	400,630
City Availability (Hb)	59,172	3,737	-	62,909
Developer Availability (Hb)	121,869	3,737	13,844	111,762
Plant Expansion (Hb)	177,592	12,438	-	190,030
Sewer Improvement (Hb)	883,152	599,999	1,073,048	410,103
Sewer Escrow	11,011	3	11,014	-
WATER METER DEPOSIT	-	125,077	17,996	107,081
Redevelopment "GO" Dist 2011-PA	-	592,161	297,212	294,949
Water Bond & Interest	109,484	568,260	459,561	218,183
Water Debt Reserve	638,829	88,032	-	726,861
Water Construction Ban	20,149	-	20,149	-
Water Operations (Hb)	649	2,002,845	1,825,553	177,941
Water Meter Deposits (Hb)	90,130	3,659	100,032	(6,243)
Water Improvement (Hb)	15,254	-	-	15,254
Lilly Grant	54,554	-	54,554	-
Utility Clearance (Hb)	159,050	4,091,486	4,176,882	73,654
Totals	<u>\$ 17,175,170</u>	<u>\$ 39,435,407</u>	<u>\$ 39,249,558</u>	<u>\$ 17,361,019</u>

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, electric, gas, storm water, trash, aviation, 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 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 state,

CITY OF MARTINSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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. Penalties which include fees received for late payments.

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 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.

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

CITY OF MARTINSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

**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.

CITY OF MARTINSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**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:

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.

CITY OF MARTINSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.

*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.

CITY OF MARTINSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of a timing difference due to stop loss policies. The funds will be reimbursed in the beginning of 2013.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 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, 2012

	General	Motor Vehicle Highway	Local Road And Street	Planning And Zoning	CRIMINAL JUSTICE	Community Development Block	Law Enforcement Continuing Ed	Riverboat
Cash and investments - beginning	\$ 3,206,330	\$ 64,888	\$ 209,470	\$ 136,370	\$ -	\$ 1,238	\$ 29,666	\$ 321,674
Receipts:								
Taxes	2,550,524	918,112	-	-	-	-	-	-
Licenses and permits	128,013	-	-	5,550	-	-	5,749	-
Intergovernmental	2,785,360	341,868	109,164	-	-	-	-	70,068
Charges for services	6,074	-	-	-	-	-	3,631	-
Fines and forfeits	90,107	-	-	-	-	-	470	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	2,188,289	349,194	-	-	3,493	-	21,750	-
Total receipts	<u>7,748,367</u>	<u>1,609,174</u>	<u>109,164</u>	<u>5,550</u>	<u>3,493</u>	<u>-</u>	<u>31,600</u>	<u>70,068</u>
Disbursements:								
Personal services	5,187,744	907,029	-	-	-	-	-	-
Supplies	47,809	187,970	-	-	-	-	-	66,109
Other services and charges	1,026,219	105,634	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	38,978	17,974	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	911,982	-	18,739	345	-	-	29,463	-
Total disbursements	<u>7,212,732</u>	<u>1,218,607</u>	<u>18,739</u>	<u>345</u>	<u>-</u>	<u>-</u>	<u>29,463</u>	<u>66,109</u>
Excess (deficiency) of receipts over disbursements	<u>535,635</u>	<u>390,567</u>	<u>90,425</u>	<u>5,205</u>	<u>3,493</u>	<u>-</u>	<u>2,137</u>	<u>3,959</u>
Cash and investments - ending	<u>\$ 3,741,965</u>	<u>\$ 455,455</u>	<u>\$ 299,895</u>	<u>\$ 141,575</u>	<u>\$ 3,493</u>	<u>\$ 1,238</u>	<u>\$ 31,803</u>	<u>\$ 325,633</u>

CITY OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Parks And Recreation	Pretrial Diversion	Rainy Day	T.I.F. MORGAN STREET	Cumulative Capital Development	Industrial Park (Construction)	Cumulative Capital Improvement	Martinsville City Court
Cash and investments - beginning	\$ 571,374	\$ 94,844	\$ 408,562	\$ -	\$ 437,560	\$ 40,397	\$ 232,014	\$ 55,717
Receipts:								
Taxes	480,119	-	-	449	182,912	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	35,704	-	-	-	12,524	-	31,791	-
Charges for services	121,637	-	-	-	-	-	-	-
Fines and forfeits	-	145,788	-	-	-	-	-	592,999
Utility fees	-	-	-	-	-	-	-	-
Other receipts	12,186	-	-	-	2,240	-	-	35,569
Total receipts	<u>649,646</u>	<u>145,788</u>	<u>-</u>	<u>449</u>	<u>197,676</u>	<u>-</u>	<u>31,791</u>	<u>628,568</u>
Disbursements:								
Personal services	340,998	-	-	-	-	-	-	-
Supplies	20,314	-	300,686	-	-	-	-	-
Other services and charges	65,630	-	45,308	328	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	90,964	-	-	-	535,082	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	131,782	-	-	-	-	-	642,914
Total disbursements	<u>517,906</u>	<u>131,782</u>	<u>345,994</u>	<u>328</u>	<u>535,082</u>	<u>-</u>	<u>-</u>	<u>642,914</u>
Excess (deficiency) of receipts over disbursements	<u>131,740</u>	<u>14,006</u>	<u>(345,994)</u>	<u>121</u>	<u>(337,406)</u>	<u>-</u>	<u>31,791</u>	<u>(14,346)</u>
Cash and investments - ending	<u>\$ 703,114</u>	<u>\$ 108,850</u>	<u>\$ 62,568</u>	<u>\$ 121</u>	<u>\$ 100,154</u>	<u>\$ 40,397</u>	<u>\$ 263,805</u>	<u>\$ 41,371</u>

CITY OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	2007 D&R FD 318119	2007 Const F.D. 318120	2007 Pay Agt 318122	MUNICIPAL BLDG BOND	GO BOND 2011	Petty Cash	Speed Grant
Cash and investments - beginning	\$ 8,728	\$ 819	\$ -	\$ -	\$ 1,105,103	\$ 500	\$ 268
Receipts:							
Taxes	-	-	-	243,347	308,409	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	23,914	20,202	-	-
Charges for services	-	-	-	76,950	17,100	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	3,540	-	205,000	35,175	36,516	-	-
Total receipts	<u>3,540</u>	<u>-</u>	<u>205,000</u>	<u>379,386</u>	<u>382,227</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	109	-	-	-
Other services and charges	-	-	-	3,977	41,902	-	-
Debt service - principal and interest	-	-	-	-	592,161	-	-
Capital outlay	-	-	-	-	413,165	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	819	101,000	-	52,211	-	-
Total disbursements	<u>-</u>	<u>819</u>	<u>101,000</u>	<u>4,086</u>	<u>1,099,439</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>3,540</u>	<u>(819)</u>	<u>104,000</u>	<u>375,300</u>	<u>(717,212)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 12,268</u>	<u>\$ -</u>	<u>\$ 104,000</u>	<u>\$ 375,300</u>	<u>\$ 387,891</u>	<u>\$ 500</u>	<u>\$ 268</u>

CITY OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Fire Donation	Operation Pullover	Fire Hydrant Maintenance	Court Fees	City Park Cum Cap	Loit-Public Safety	Downtown Renovation
Cash and investments - beginning	\$ 3,416	\$ 139	\$ 16,721	\$ 19	\$ 496	\$ 692,338	\$ 242
Receipts:							
Taxes	-	-	-	-	-	1	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	986,754	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	21,709	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	5,680	4,940	-	-	-	-
Total receipts	<u>-</u>	<u>5,680</u>	<u>4,940</u>	<u>21,709</u>	<u>-</u>	<u>986,755</u>	<u>-</u>
Disbursements:							
Personal services	-	5,809	-	-	-	-	-
Supplies	-	-	-	-	-	134,146	-
Other services and charges	-	-	-	-	-	255,757	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	270,265	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	10,457	-	-	-
Total disbursements	<u>-</u>	<u>5,809</u>	<u>-</u>	<u>10,457</u>	<u>-</u>	<u>660,168</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(129)</u>	<u>4,940</u>	<u>11,252</u>	<u>-</u>	<u>326,587</u>	<u>-</u>
Cash and investments - ending	<u>\$ 3,416</u>	<u>\$ 10</u>	<u>\$ 21,661</u>	<u>\$ 11,271</u>	<u>\$ 496</u>	<u>\$ 1,018,925</u>	<u>\$ 242</u>

CITY OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (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	\$ 278,074	\$ 365,136	\$ 319	\$ 122	\$ 6,008	\$ -	\$ 14,080
Receipts:							
Taxes	324,722	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	8,695	51,351	2,679
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	38,863	-	-
Total receipts	<u>324,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,558</u>	<u>51,351</u>	<u>2,679</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	975	-	-	-	-	-	-
Debt service - principal and interest	444,300	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	122	35,303	51,351	-
Total disbursements	<u>445,275</u>	<u>-</u>	<u>-</u>	<u>122</u>	<u>35,303</u>	<u>51,351</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(120,553)</u>	<u>-</u>	<u>-</u>	<u>(122)</u>	<u>12,255</u>	<u>-</u>	<u>2,679</u>
Cash and investments - ending	<u>\$ 157,521</u>	<u>\$ 365,136</u>	<u>\$ 319</u>	<u>\$ -</u>	<u>\$ 18,263</u>	<u>\$ -</u>	<u>\$ 16,759</u>

CITY OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Environmental Renovations	Judicial Salary	Parking Control Fund	Police Camera	Record Perpetuation	Recording Fees	Park Bond
Cash and investments - beginning	\$ 1,146	\$ 28,983	\$ 17,232	\$ 2,422	\$ 103,977	\$ 126	\$ 78,541
Receipts:							
Taxes	-	-	-	-	-	-	71,823
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	5,628
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	14,054	-	-	6,775	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	194	-	-	130
Total receipts	<u>-</u>	<u>14,054</u>	<u>-</u>	<u>194</u>	<u>6,775</u>	<u>-</u>	<u>77,581</u>
Disbursements:							
Personal services	-	31,442	-	-	-	-	-
Supplies	-	-	-	2,056	-	-	-
Other services and charges	-	-	-	-	-	-	5,512
Debt service - principal and interest	-	-	-	-	-	-	79,393
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>31,442</u>	<u>-</u>	<u>2,056</u>	<u>-</u>	<u>-</u>	<u>84,905</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(17,388)</u>	<u>-</u>	<u>(1,862)</u>	<u>6,775</u>	<u>-</u>	<u>(7,324)</u>
Cash and investments - ending	<u>\$ 1,146</u>	<u>\$ 11,595</u>	<u>\$ 17,232</u>	<u>\$ 560</u>	<u>\$ 110,752</u>	<u>\$ 126</u>	<u>\$ 71,217</u>

CITY OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Edin Fund	Emp Trust Donley Company	Fire Pension#3	Police Pension#3	Payroll	Miscellaneous Fund	Trans Station
Cash and investments - beginning	\$ 900,329	\$ 736,499	\$ 122,342	\$ 139,782	\$ 110,156	\$ 85,630	\$ 22,074
Receipts:							
Taxes	-	-	(1)	1	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	603,375	-	210,090	249,492	-	-	-
Charges for services	-	-	-	-	-	-	2,757
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	2,118,498	-	-	5,881,685	-	-
Total receipts	<u>603,375</u>	<u>2,118,498</u>	<u>210,089</u>	<u>249,493</u>	<u>5,881,685</u>	<u>-</u>	<u>2,757</u>
Disbursements:							
Personal services	10,030	2,967,965	195,510	243,507	1,745,808	-	145
Supplies	9,660	-	-	-	-	-	35
Other services and charges	518,638	422,027	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	252,039	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	13,337	12,000	12,000	4,081,829	-	-
Total disbursements	<u>790,367</u>	<u>3,403,329</u>	<u>207,510</u>	<u>255,507</u>	<u>5,827,637</u>	<u>-</u>	<u>180</u>
Excess (deficiency) of receipts over disbursements	<u>(186,992)</u>	<u>(1,284,831)</u>	<u>2,579</u>	<u>(6,014)</u>	<u>54,048</u>	<u>-</u>	<u>2,577</u>
Cash and investments - ending	<u>\$ 713,337</u>	<u>\$ (548,332)</u>	<u>\$ 124,921</u>	<u>\$ 133,768</u>	<u>\$ 164,204</u>	<u>\$ 85,630</u>	<u>\$ 24,651</u>

CITY OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Com Ind Fac Bg GRP Lease Rental Bonds 2012	WW Refunding Rev Bond 226125	S.W. Refunding Rev Bond 2004	SW Rev Bond Series 2004	Sink Fund 2007	Sewage 2011 Esc 2004	Sewer Bond & Interest
Cash and investments - beginning	\$ -	\$ 69,045	\$ -	\$ -	\$ 120,827	\$ 2,937,018	\$ 7,401
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,980,086	67,890	550,813	2,386,205	240,276	-	556,100
Total receipts	1,980,086	67,890	550,813	2,386,205	240,276	-	556,100
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,311,370	136,935	550,813	2,386,205	239,528	-	415,593
Total disbursements	1,311,370	136,935	550,813	2,386,205	239,528	-	415,593
Excess (deficiency) of receipts over disbursements	668,716	(69,045)	-	-	748	-	140,507
Cash and investments - ending	\$ 668,716	\$ -	\$ -	\$ -	\$ 121,575	\$ 2,937,018	\$ 147,908

CITY OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Sewer Debt Reserve	Sewage Ref 2011-PA	Martinsville GFBC 2012 DSRF	Wastewater Utility- Construction	Sewer Operations (Hb)	City Availability (Hb)	Developer Availability (Hb)
Cash and investments - beginning	\$ 834,139	\$ -	\$ -	\$ 2,172	\$ 211,802	\$ 59,172	\$ 121,869
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,928	133,735	138,703	1	2,476,854	3,737	3,737
Total receipts	<u>1,928</u>	<u>133,735</u>	<u>138,703</u>	<u>1</u>	<u>2,476,854</u>	<u>3,737</u>	<u>3,737</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	745	1,851,766	-	13,844
Other disbursements	-	133,735	-	-	436,260	-	-
Total disbursements	<u>-</u>	<u>133,735</u>	<u>-</u>	<u>745</u>	<u>2,288,026</u>	<u>-</u>	<u>13,844</u>
Excess (deficiency) of receipts over disbursements	<u>1,928</u>	<u>-</u>	<u>138,703</u>	<u>(744)</u>	<u>188,828</u>	<u>3,737</u>	<u>(10,107)</u>
Cash and investments - ending	<u>\$ 836,067</u>	<u>\$ -</u>	<u>\$ 138,703</u>	<u>\$ 1,428</u>	<u>\$ 400,630</u>	<u>\$ 62,909</u>	<u>\$ 111,762</u>

CITY OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Plant Expansion (Hb)	Sewer Improvement (Hb)	Sewer Escrow	WATER METER DEPOSIT	Redevelopment "GO" Dist 2011-PA	Water Bond & Interest	Water Debt Reserve
Cash and investments - beginning	\$ 177,592	\$ 883,152	\$ 11,011	\$ -	\$ -	\$ 109,484	\$ 638,829
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	12,438	599,999	3	125,077	592,161	568,260	88,032
Total receipts	<u>12,438</u>	<u>599,999</u>	<u>3</u>	<u>125,077</u>	<u>592,161</u>	<u>568,260</u>	<u>88,032</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	1,073,048	11,014	17,996	297,212	459,561	-
Total disbursements	<u>-</u>	<u>1,073,048</u>	<u>11,014</u>	<u>17,996</u>	<u>297,212</u>	<u>459,561</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>12,438</u>	<u>(473,049)</u>	<u>(11,011)</u>	<u>107,081</u>	<u>294,949</u>	<u>108,699</u>	<u>88,032</u>
Cash and investments - ending	<u>\$ 190,030</u>	<u>\$ 410,103</u>	<u>\$ -</u>	<u>\$ 107,081</u>	<u>\$ 294,949</u>	<u>\$ 218,183</u>	<u>\$ 726,861</u>

CITY OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Water Construction Ban	Water Operations (Hb)	Water Meter Deposits (Hb)	Water Improvement (Hb)	Lilly Grant	Utility Clearance (Hb)	Totals
Cash and investments - beginning	\$ 20,149	\$ 649	\$ 90,130	\$ 15,254	\$ 54,554	\$ 159,050	\$ 17,175,170
Receipts:							
Taxes	-	-	-	-	-	-	5,080,418
Licenses and permits	-	-	-	-	-	-	139,312
Intergovernmental	-	-	-	-	-	-	5,485,934
Charges for services	-	-	-	-	-	-	228,149
Fines and forfeits	-	-	-	-	-	-	934,627
Utility fees	-	-	-	-	-	4,091,180	4,091,180
Other receipts	-	2,002,845	3,659	-	-	306	23,475,787
Total receipts	-	2,002,845	3,659	-	-	4,091,486	39,435,407
Disbursements:							
Personal services	-	-	-	-	-	-	11,635,987
Supplies	-	-	-	-	-	-	768,894
Other services and charges	-	-	-	-	-	-	2,491,907
Debt service - principal and interest	-	-	-	-	-	-	1,115,854
Capital outlay	-	-	-	-	-	-	1,618,467
Utility operating expenses	20,149	1,203,564	-	-	-	-	3,090,068
Other disbursements	-	621,989	100,032	-	54,554	4,176,882	18,528,381
Total disbursements	20,149	1,825,553	100,032	-	54,554	4,176,882	39,249,558
Excess (deficiency) of receipts over disbursements	(20,149)	177,292	(96,373)	-	(54,554)	(85,396)	185,849
Cash and investments - ending	\$ -	\$ 177,941	\$ (6,243)	\$ 15,254	\$ -	\$ 73,654	\$ 17,361,019

CITY OF MARTINSVILLE  
SCHEDULE OF LEASES AND DEBT  
December 31, 2012

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 2012	\$ 142,000	05-01-14	02-01-32
City of Martinsville Government Facility Bldg. Corporation	Lease Rental Revenue Bonds Series 2007	<u>206,000</u>	12-31-08	02-01-28
Total governmental activities		<u>348,000</u>		
Total of annual lease payments		<u>\$ 348,000</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	\$ 1,155,000	\$ 590,267
General obligation bonds	Park District Bonds Series 2009	455,000	77,390
Revenue bonds	Food and Beverage Tax Revenue Bonds Series 2007	<u>675,000</u>	<u>241,456</u>
Total governmental activities		<u>2,285,000</u>	<u>909,113</u>
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds Series 2009 (SRF)	320,000	25,069
Revenue bonds	Sewage Works Revenue Bonds Series 2005	429,000	42,517
Revenue bonds	Sewage Works Revenue Bonds Series 2006	5,613,000	503,414
Revenue bonds	Sewage Works Refunding Revenue Bonds of 2011	<u>2,700,000</u>	<u>264,960</u>
Total Wastewater		<u>9,062,000</u>	<u>835,960</u>
Water:			
Revenue bonds	Waterworks Revenue Bonds of 2007 Series A (SRF)	8,489,000	713,858
Revenue bonds	Waterworks Refunding Revenue Bonds Series 2004	<u>265,000</u>	<u>139,570</u>
Total Water		<u>8,754,000</u>	<u>853,428</u>
Totals		<u>\$ 20,101,000</u>	<u>\$ 2,598,501</u>

CITY OF MARTINSVILLE  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2012

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	\$ 5,613,641
Infrastructure	8,561,294
Buildings	1,494,364
Improvements other than buildings	390,487
Machinery, equipment, and vehicles	5,376,564
Total governmental activities	21,436,350
Wastewater:	
Land	212,500
Infrastructure	20,388,599
Machinery, equipment, and vehicles	3,369,560
Total Wastewater	23,970,659
Water:	
Land	304,050
Infrastructure	12,373,623
Buildings	13,038
Machinery, equipment, and vehicles	949,930
Total Water	13,640,641
Total capital assets	\$ 59,047,650

CITY OF MARTINSVILLE  
EXAMINATION RESULTS AND COMMENTS

***PENALTIES, INTEREST, AND OTHER CHARGES***

The Water Utility paid penalties and interest to the Indiana Department of Revenue in the amount of \$2,326.07 because the Water Utility did not remit payments on a timely basis. A similar comment has been in the prior two reports for the Water Utility.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, 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)

***DELINQUENT WASTEWATER ACCOUNTS***

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

During the test of billings for 2012, we noted two accounts that are currently being billed by the Wastewater Utility that have not paid their bill since June 2010. There were also numerous accounts listed on the Accounts with Balances report that do not currently receive a bill. These properties should have had a lien filed; however, that has not been done. Liens have not been filed in the County Recorder's office since February 2010. An aged listing of delinquent accounts for December 31, 2012, was requested. The Utility Office Manager indicated that they could not go back and produce one; however, they will prepare them in the future. They did produce an aged listing as of September 10, 2013, which indicated that the balance of delinquent accounts 90 days and over is \$175,466.01.

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.
  - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

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(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."

**OVERDRAWN CASH BALANCES**

The financial statement presented in this report included the following funds with overdrawn cash balances at December 31, 2012:

<u>Fund</u>	<u>Amount Overdrawn</u>
Emp Trust Donley Company	\$ 548,332
Water Meter Deposits (Hb)	6,243

The cash 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)

**INTERNAL CONTROLS**

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

The Clerk-Treasurer's office keeps two sets of books. One is on the Keystone system and one is a handwritten Cash Book. The official books used for the examination is the handwritten Cash Book. Any employee in the Clerk-Treasurer's office can enter receipts or claims in the Keystone system, and they are posted at the end of the month by the 2nd Administrative Assistant. The entries in the handwritten Cash Book can be entered by anyone in the office. At the end of the month the 2nd Administrative Assistant will compare Keystone to the handwritten Cash Book to verify they are in agreement. During the examination, it was noted that the handwritten Cash Book was adjusted for 2012 after the examination had begun, and there was no indication as to who changed it, what amounts they changed, and why. These changes were not made to the Keystone system. Once the year has been closed out, no changes should be made to any ledgers.

Payments received in the system from the utilities are not entered until the end of the business day. These receipts are not classified by the type of payment received (i.e., cash, check, money order, etc.), thus it is not possible to determine if receipts were deposited in the same form they were received.

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. (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 November 6, 2013, with Phil R. Deckard, Mayor; Mary Lou Peden, Clerk-Treasurer; Valerie Hugart, Deputy Clerk-Treasurer; Mary Malone, Utility Office Manager; and Diane Selch, Assistant Utility Manager.