
**VILLAGE OF MARTIN'S
ADDITIONS, MARYLAND**

**Financial Statements and Report
of Independent Certified Public
Accountants**

**For the Years Ended
June 30, 2009 and 2008**

COPY

LSWG

Linton Shafer Warfield & Garrett, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
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June 30, 2009 and 2008

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Chairperson and Council
Village of Martin's Additions, Maryland

We have audited the accompanying financial statements of the governmental activities and the general fund of the Village of Martin's Additions, Maryland (the Village), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Martin's Additions management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund of the Village of Martin's Additions, Maryland as of June 30, 2009 and 2008, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Linton Shafer Warfield & Garrett

October 8, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Village of Martin's Additions, we offer the Village of Martin's Additions financial statements this narrative overview and analysis of the financial activities of the Village of Martin's Additions for the fiscal year ended June 30, 2009. We encourage readers to consider the following information.

FINANCIAL HIGHLIGHTS

- The assets of the Village of Martin's Additions exceeded its liabilities at the close of the fiscal year by \$1,385,819 (net assets). Of this amount, \$1,191,557 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$213,533.
- As of the close of the fiscal year, the Village of Martin's Additions governmental funds reported combined ending fund balances of \$1,189,830, an increase of \$219,619 in comparison with the prior year. Approximately 49% of this total amount, \$577,291, is available for spending at the government's discretion (unreserved fund balance). The balance of \$612,539 is reserved for street improvements and prepaid expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Village of Martin's Additions basic financial statements. The Village of Martin's Additions basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. (Exhibits A-1 and A-2) The government-wide financial statements are designed to provide readers with a broad overview of the Village of Martin's Additions finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village of Martin's Additions assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village of Martin's Additions is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements of the Village of Martin's Additions are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Village of Martin's Additions include general government, public works, public safety, and recreation. The government-wide financial statements report only on the Village of Martin's Additions.

Fund financial statements. (Exhibits A-3 to A-5) A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Martin's Additions, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Martin's Additions are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village of Martin's Additions maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of which is considered to be a major fund.

The Village of Martin's Additions adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as one useful indicator of a government's financial position. In the case of the Village of Martin's Additions, assets exceeded liabilities by \$1,385,819 at the close of the most recent fiscal year.

Approximately 14% of the Village of Martin's Additions net assets reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Village of Martin's Additions uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Village of Martin's Additions Net Assets

	<u>Governmental</u>
Current and other assets	\$ 1,264,218
Capital assets	<u>194,262</u>
Total assets	<u>1,458,480</u>
Other liabilities	<u>72,661</u>
Total liabilities	<u>72,661</u>
Net assets	<u>\$ 1,385,819</u>
Invested in capital assets	\$ 194,262
Unrestricted	<u>1,191,557</u>
Total net assets	<u>\$ 1,385,819</u>

The unrestricted net assets of \$1,191,557 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities increased the Village of Martin's Additions net assets by \$213,533.

Village of Martin's Additions Changes in Net Assets

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ 17,623
Operating grants and contributions	6,930
General revenues:	
Taxes	706,744
Other	<u>68,895</u>
Total Revenues	<u>\$ 800,192</u>
Expenses:	
General government	\$ 249,671
Building & Zoning	23,653
Public works	250,000
Public safety	43,975
Recreation	<u>19,360</u>
Total Expenses	<u>\$ 586,659</u>
Increase in net assets	\$ 213,533
Net assets, July 1, 2008	<u>1,172,286</u>
Net assets, June 30, 2009	<u>\$ 1,385,819</u>

Taxes of \$706,744 comprised 89% of the total revenues of \$800,192. This balance is comprised of property and income taxes.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The Village of Martin's Additions uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Governmental funds. The focus of the Village of Martin's Additions governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village of Martin's Additions financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Village of Martin's Additions governmental funds reported combined ending fund balances of \$1,189,830, an increase of \$219,619 in comparison with the prior year. Approximately 49% of this amount, \$577,291, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund is reserved for street improvements and prepaid expenses.

General fund budgetary highlights. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as County and State grants; and (3) increases in appropriations that become necessary to maintain services.

During the fiscal year the Village made amendments that fall into category one and three. The effects of these amendments are shown in the schedule below. The final budget for taxes is approximately \$179,450 greater than the original estimate. This is attributed to a \$672,450 revised estimate for income taxes. This amount is \$177,450 greater than the amount budgeted. Licenses and permits and intergovernmental revenues final budget figures were in line with the original estimate. Other revenue final budget figures were \$21,570 lower than estimated primarily due to interest income being \$23,000 less than originally estimated.

The final budgeted expenditures decreased \$78,270 over the original budget for expenditures. This decrease is mainly associated with adjustments made to five line items. Two of these adjustments increased the budget while the other three decreased it. The following summarizes the major expenditure budget adjustments:

- Legal – increased \$20,000 due to work associated with the Land Use Task Force as well as additional legal advise on various matters.
- Printing and Mailing – increased \$7,000 due to a large amount of additional printing and mailing including Land Use Task Force, Handbook, Ordinance and many community events.
- Tree Maintenance – decreased \$5,000 due to less work being performed than originally planned.
- Street and Sidewalk Maintenance – decreased \$50,000 due to less repairs being performed.
- Street Improvements – CIP – decreased \$50,000 due to less major road repairs being done during the year.

Actual revenues exceeded expenditures by \$219,619 in the General Fund for fiscal year 2009. In fiscal year 2008 expenditures exceeded revenues by \$123,327.

Actual revenues and expenditures were very close to the final budget figures due to continual management of the budget and frequent adjustments to the budget during the year.

General Fund	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues			
Taxes	\$ 523,000	\$ 702,450	\$ 706,295
Licenses and Permits	26,500	21,500	17,530
Intergovernmental	54,920	53,850	52,638
Other	<u>46,500</u>	<u>24,930</u>	<u>23,280</u>
Total	<u>650,920</u>	<u>802,730</u>	<u>799,743</u>
Expenditures			
General Government	\$ 273,000	\$ 300,630	\$ 272,339
Public Safety	50,000	50,000	43,975
Public Works	419,400	313,500	244,450
Recreation	<u>22,000</u>	<u>22,000</u>	<u>19,360</u>
Total	<u>764,400</u>	<u>686,130</u>	<u>580,124</u>
Change in Fund Balance	<u>\$ (113,480)</u>	<u>\$ 116,600</u>	<u>\$ 219,619</u>

CAPITAL ASSETS

At the end of fiscal year 2009, the Village's governmental activities have invested \$8,629 in office equipment, \$1,381 in leasehold improvements and \$202,394 in infrastructure, as reflected in the following schedule. Total depreciation for the 2009 fiscal year was \$6,535 and accumulated depreciation for all assets was \$18,142.

Governmental Activities - Capital Assets

	<u>Governmental Activities</u>
Non-Depreciable Assets	None
Other Capital Assets	
Infrastructure	202,394
Equipment	8,629
Leasehold Improvements	<u>1,381</u>
Total Capital Assets	212,404
Accumulated Depreciation on Other Capital Assets	<u>(18,142)</u>
Net Capital Assets	<u>\$ 194,262</u>

ECONOMIC FACTORS

Overall, fiscal year 2009 was a very good year financially. Income tax revenues ended the year \$183,967 greater than originally budgeted. The total Village fund balance increased \$219,169 for an ending fund balance of \$1,189,830. With the Country coming out of a recession, the Village is in a good position financially to weather through the uncertain economic climate that is forecasted for the immediate future.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Village of Martin's Additions finances. Questions concerning any of the information provided in this report of requests for additional financial information should be addressed to the Village Manager of the Village of Martin's Additions, 7013B Brookville Road, Chevy Chase, Maryland, 20815.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Statements of Net Assets
June 30,

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
Assets		
Cash and cash equivalents	\$ 27,971	\$ 10,608
Investments	1,214,175	1,087,946
Receivables, net	2,228	3,284
Due from other governments	7,305	11,169
Prepaid expenses	12,539	3,804
Capital assets, net	<u>194,262</u>	<u>200,797</u>
Total Assets	<u>\$ 1,458,480</u>	<u>\$ 1,317,608</u>
Liabilities		
Accounts payable	\$ 61,011	\$ 116,167
Refundable deposits	<u>11,650</u>	<u>29,155</u>
Total Liabilities	<u>72,661</u>	<u>145,322</u>
Net Assets		
Invested in capital assets	194,262	200,797
Unrestricted	<u>1,191,557</u>	<u>971,489</u>
Total Net Assets	<u>1,385,819</u>	<u>1,172,286</u>
Total Liabilities and Net Assets	<u>\$ 1,458,480</u>	<u>\$ 1,317,608</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Statement of Program Activities

For the Year Ended June 30, 2009 (with comparative totals for 2008)

Functions/Programs	Program Revenue		Charges for Operating Grants		Governmental		Net (Expenses) Revenue and Changes in Net Assets	
	Expenses	Services and Contributions	Operating Grants	and Contributions	Governmental Activities	Governmental Activities	2009 Total	2008 Total
Governmental Activities								
General government	\$ 249,671	\$ -	\$ 6,930	\$ -	\$ (242,741)	\$ (242,741)	\$ (203,337)	
Building and zoning	23,653	16,637	-	-	(7,016)	(7,016)	15,419	
Public works	250,000	-	-	-	(250,000)	(250,000)	(297,590)	
Public safety	43,975	986	-	-	(42,989)	(42,989)	(38,167)	
Recreation	19,360	-	-	-	(19,360)	(19,360)	(14,230)	
Total Governmental Activities	\$ 586,659	\$ 17,623	\$ 6,930	\$ -	\$ (562,106)	\$ (562,106)	\$ (537,905)	
General Revenues								
Property taxes					27,778	27,778	25,370	
Income taxes					678,966	678,966	449,475	
Intergovernmental					53,531	53,531	55,520	
Interest					15,364	15,364	42,546	
Total General Revenues					775,639	775,639	572,911	
Change in Net Assets					213,533	213,533	35,006	
Net Assets, Beginning of Year					1,172,286	1,172,286	1,137,280	
Net Assets, End of Year					\$ 1,385,819	\$ 1,385,819	\$ 1,172,286	

The accompanying notes are an integral part of this statement.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Balance Sheets
Governmental Funds
June 30,

	2009 General Fund	2008 General Fund
Assets		
Cash and cash equivalents	\$ 27,971	\$ 10,608
Investments	1,214,175	1,087,946
Receivables, net	2,228	3,284
Due from other governments	7,305	11,169
Prepaid expenses	12,539	3,804
Total Assets	<u>\$ 1,264,218</u>	<u>\$ 1,116,811</u>
Liabilities		
Accounts payable	\$ 61,011	\$ 116,167
Refundable deposits	11,650	29,155
Deferred property taxes	1,727	1,278
Total Liabilities	<u>74,388</u>	<u>146,600</u>
Fund Balances		
Unreserved, undesignated	577,291	366,407
Unreserved, designated for street improvements	600,000	600,000
Reserved for prepaid expenses	12,539	3,804
Total Fund Balances	<u>1,189,830</u>	<u>970,211</u>
Total Liabilities and Fund Balances	<u>\$ 1,264,218</u>	<u>\$ 1,116,811</u>
Reconciliation of Total Governmental Fund Balances To Net Assets of the Governmental Activities		
Total Governmental Fund Balances	\$ 1,189,830	\$ 970,211
Amounts reported for governmental activities in the statement of net assets are different because:		
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	1,727	1,278
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	194,262	200,797
Net Assets of Governmental Activities	<u>\$ 1,385,819</u>	<u>\$ 1,172,286</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Statements of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Years Ended June 30,

	2009	2008
	General	General
	Fund	Fund
	<u> </u>	<u> </u>
Revenues		
Property taxes	\$ 27,328	\$ 24,186
Taxes - state shared	678,967	449,475
Licenses and permits	17,530	33,423
Intergovernmental	52,638	54,559
Miscellaneous	<u>23,280</u>	<u>49,370</u>
 Total Revenues	 <u>799,743</u>	 <u>611,013</u>
 Expenditures		
General government	272,339	225,929
Public safety	43,975	38,456
Public works	244,450	455,725
Recreation	<u>19,360</u>	<u>14,230</u>
 Total Expenditures	 <u>580,124</u>	 <u>734,340</u>
 Excess of Revenues Over (Under) Expenditures	 219,619	 (123,327)
 Fund Balance - Beginning of Year	 <u>970,211</u>	 <u>1,093,538</u>
 Fund Balance - End of Year	 <u>\$ 1,189,830</u>	 <u>\$ 970,211</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Reconciliation of the Statements of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statements of Activities
For the Years Ended June 30,

	<u>2009</u>	<u>2008</u>
Net Change in Fund Balance - Total Governmental Funds	\$ 219,619	\$ (123,327)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	449	1,184
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	<u>(6,535)</u>	<u>157,149</u>
Net Changes in Net Assets	<u>\$ 213,533</u>	<u>\$ 35,006</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Village of Martin's Additions (Village) was incorporated in 1985 under the laws of the State of Maryland. The Village operates under a Council form of government consisting of a Council Chairperson and Village Council. The Village Council has the authority to appoint a Village Manager who shall be responsible for the day-to-day operations of the Village government and for carrying out the policies determined and approved by the Village government. The Village provides the following services as authorized by its charter: public safety (traffic), streets, sanitation, building permits and general administration services. The basic financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for established governmental and financial reporting principles. The Village implemented the new accounting and financial reporting requirements of GASB Statements No. 34, Basic Financial Statements and Management's Discussion and Analysis for States and Local Governments. As a result, an entirely new financial reporting format is presented. GASB Statement No. 34 adds the following components to the financial statements:

Management's Discussion and Analysis – A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements – These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets – The Statement of Net Assets displays the financial position of the Village. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net assets of a government are broken into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Village and many other governments revise their original budgets over the course of the year for a variety of reasons.

The financial statements were prepared in accordance with GASB Statement No.14, The Financial Reporting Entity, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with the basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Village of Martin's Additions. There are no organizations for which the Village is financially accountable and there are no component units of the Village.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Village as a whole) and fund financial statements. The reporting model focus is on both the Village as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary fund. The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the non-fiduciary activities of the Village. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. The Village has only one governmental fund, the general fund, to account for all activities of the government, and does not have any business type activities or fiduciary activities at this time.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Reimbursements are reported as reduction to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenue to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest payments which are reported as expenditures in the year due.

Property taxes, franchise fees, utility taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental fund:

The General Fund – This is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets

1. Deposits and Investments

Cash and cash equivalents, which are cash and short-term investments with maturities of three months or less, include cash on hand and demand deposit accounts.

2. Prepaid Expenses

Prepaid expenses record payments to vendors that benefit future reporting periods. Prepaid expenses are similarly reported in government-wide and fund financial statements.

3. Capital Assets

Capital assets, which include equipment are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired prior to July 1, 2004 are not reported in the basic financial statements. As of June 30, 2009 and 2008, there was \$202,394 and \$202,394 of infrastructure recorded on the books, respectively. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Village are depreciated using the straight line method over the following estimated useful lives:

Equipment:

Office equipment - 5 to 7 years

Infrastructure

Sidewalks and curbs – 40 years

Leasehold improvements – 10 years

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets (continued)

4. Property Taxes

Property taxes for the current year were assessed and collected by Montgomery County and subsequently remitted to the Village. Property taxes are assessed on July 1st and are due and payable one half by September 30th and one half by December 31st. All unpaid taxes levied July 1st become delinquent on October 1st and January 1st. The real property tax rates for the Village for fiscal years ended June 30, 2009 and 2008 was .008, respectively, per \$100 of assessed taxable value. The public utilities, corporate and personal property tax rates for the Village for the fiscal years ended June 30, 2009 and 2008 was .50, respectively, per \$100 of assessed taxable value. Procedures for the collection of delinquent taxes by Montgomery County are provided for in the laws of Maryland.

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, inflation rates, etc. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

Note 2 – Reconciliation of Government-Wide and Fund Financial Statements

- A. Explanation of certain differences between the governmental fund balance and the government-wide statement of net assets:

The governmental fund balance sheet includes reconciliation between fund balance – total government funds and net assets – governmental activities as reported in the government-wide statement of net assets.

Note 3 – Detailed Notes on All Funds

- A. Deposits and Investments

Deposits

State statutes require all deposits be insured by the Federally Depository Insurance Corporation (FDIC) or fully collateralized.

Village administration is authorized to invest in those instruments authorized by Maryland Statutes. Cash and cash equivalents as presented on the balance sheet and statement of net assets includes deposits (cash).

At June 30, 2009 and 2008, the carrying amounts of the Village's deposits were \$27,871 and \$10,508, respectively, and the bank balances totaled \$64,174 and \$30,936 respectively, all of which are insured by Federal Deposit Insurance.

Investments

The Village's investments are categorized to give an indication of the level of custodial credit risk assumed by the Village at year-end. Category 1 includes investments that are insured or registered or where securities are held by the Village or its agent, in the Village's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the Village's name holds the securities. Category 3 includes uninsured and unregistered where the securities are held by the financial institution's trust department or agent, but not in the Village's name. The Village holds no such investments at this time. The investments the Village holds are investments in State Treasurer's Investment Pool. The balance in the pool at June 30, 2009 and 2008 were \$1,214,175 and \$1,087,946, respectively.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

Note 3 – Detailed Notes on All Funds (continued)

B. Receivables

Receivables as of June 30, 2009 and 2008 for the Village's individual major and non-major governmental funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	<u>2009</u>	<u>2008</u>
Property taxes	\$ 1,727	\$ 1,278
Other	<u>501</u>	<u>2,006</u>
Gross Receivables	2,228	3,284
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>
Total Receivables - Net	<u>\$ 2,228</u>	<u>\$ 3,284</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

C. Due From Other Governments

Due from other governments represents accrued revenue at June 30, 2009 and 2008 consisting of the following:

	<u>2009</u>	<u>2008</u>
Primary Government		
State		
General Fund	\$ 6,723	\$ 9,502
Total State	<u>6,723</u>	<u>9,502</u>
County		
General Fund	<u>582</u>	<u>1,667</u>
Total County	<u>582</u>	<u>1,667</u>
Total Primary Government	<u>\$ 7,305</u>	<u>\$ 11,169</u>

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

Note 3 – Detailed Notes on All Funds (continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets, being depreciated				
Equipment	\$ 8,629	\$ -	\$ -	\$ 8,629
Leasehold improvements	1,381	-	-	1,381
Infrastructure	<u>202,394</u>	-	-	<u>202,394</u>
Total capital assets being depreciated	<u>212,404</u>	-	-	<u>212,404</u>
Less accumulated depreciation for:				
Equipment	(4,127)	(1,337)	-	(5,464)
Leasehold improvements	(276)	(138)	-	(414)
Infrastructure	<u>(7,204)</u>	<u>(5,060)</u>	-	<u>(12,264)</u>
Total accumulated depreciation	<u>(11,607)</u>	<u>(6,535)</u>	-	<u>(18,142)</u>
Total capital assets, being depreciated, net	<u>200,797</u>	<u>(6,535)</u>	-	<u>194,262</u>
Governmental activities capital assets, net	<u>\$ 200,797</u>	<u>\$ (6,535)</u>	<u>\$ -</u>	<u>\$ 194,262</u>

Depreciation expense was charged to function/programs of the primary government as follows:

	<u>2009</u>	<u>2008</u>
Governmental activities		
General government	\$ 985	\$ 985
Public works	<u>5,550</u>	<u>5,550</u>
Total Depreciation Expense	<u>\$ 6,535</u>	<u>\$ 6,535</u>

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

Note 4 – Commitment and Contingencies

A. Risk Management

The Village is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The Village's general liability risks are financed through participation in the Montgomery County Self Insurance Pool together with the County Government's component units, and at least one other local municipality. The Village paid annual premiums of approximately \$3,870 and \$4,570 for the fiscal years ended June 30, 2009 and 2008, respectively to the pool for its general, auto, worker's compensation, public official bond and property insurance coverage. Claims over the past three years have been significantly less than that amount. The agreement with the pool provides that it will be self-sustaining through member premiums, and will reinsure through commercial companies for claims in excess of \$10,000,000 in aggregate. Settled claims resulting from these risks have not exceeded insurance coverage, and no significant reductions in insurance coverage have occurred, in any of the past three years.

B. Office Lease Commitment

In 2006, the Village entered into a lease for office space under an agreement that expires May 1, 2026. Base rent per the agreement is \$1,767 per month with various increases throughout the lease. The lease has the option to renew for an additional 10 year period. Total rent expense for the fiscal year ended June 30, 2009 and 2008 was \$25,805 and \$23,780, respectively.

The minimum lease payments are as follows:

For the Fiscal Year Ending		
	2010	\$ 22,896
	2011	22,896
	2012	23,109
	2013	23,748
	2014	23,748

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2009

	Budgeted Amount <u>Original</u>	Budgeted Amount <u>Final</u>	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Local				
Real property tax	\$ 20,000	\$ 22,000	\$ 22,371	\$ 371
Personal property, ordinary business and public utilities tax	8,000	8,000	4,581	(3,419)
Total Taxes - Local	28,000	30,000	26,952	(3,048)
Prior year additions/abatements	-	-	376	376
Total Taxes - Local - Net	28,000	30,000	27,328	(2,672)
State Shared				
Income tax	495,000	672,450	678,967	6,517
Total Taxes - State Shared	495,000	672,450	678,967	6,517
Total Taxes	523,000	702,450	706,295	3,845
Licenses and Permits				
Permit fees	20,000	15,000	10,425	(4,575)
Cable T.V. franchise tax	6,500	6,500	6,212	(288)
Traders licenses	-	-	893	893
Total Licenses and Permits	26,500	21,500	17,530	(3,970)
Intergovernmental Revenues				
State highway user	38,000	34,000	32,788	(1,212)
County revenue sharing	16,920	19,850	19,850	-
Total Intergovernmental Revenues	\$ 54,920	\$ 53,850	\$ 52,638	\$ (1,212)

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Required Supplemental Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2009

	Budgeted Amount <u>Original</u>	Budgeted Amount <u>Final</u>	Actual Amounts	Variance with Final Budget Positive (Negative)
Miscellaneous				
Code infractions	\$ 500	\$ 1,000	\$ 986	\$ (14)
Interest	40,000	17,000	15,364	(1,636)
Holiday fund	<u>6,000</u>	<u>6,930</u>	<u>6,930</u>	<u>-</u>
Total Miscellaneous	<u>46,500</u>	<u>24,930</u>	<u>23,280</u>	<u>(1,650)</u>
Total Revenues	<u>\$ 650,920</u>	<u>\$ 802,730</u>	<u>\$ 799,743</u>	<u>\$ (2,987)</u>

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2009

Expenditures	Budgeted Amount <u>Original</u>	Budgeted Amount <u>Final</u>	Actual Amounts	Variance with Final Budget Positive (Negative)
General Government				
Financial Administration				
Administrative salaries	\$ 70,000	\$ 70,000	\$ 62,863	\$ 7,137
Payroll taxes and benefits	15,000	15,000	8,360	6,640
Accounting and auditing	25,500	25,200	25,200	-
Legal	50,000	70,000	69,416	584
Dues and subscriptions	9,000	9,000	5,847	3,153
Office lease	25,000	26,000	25,805	195
Office expenses	18,000	18,000	14,452	3,548
Office furniture and equipment	2,000	2,000	-	2,000
Telephone	3,000	2,500	1,773	727
Storage rental	3,000	3,000	2,672	328
Printing and mailing	13,000	20,000	19,469	531
Insurance	6,000	4,000	3,870	130
Website	1,000	2,500	2,029	471
Total Financial Administration	<u>240,500</u>	<u>267,200</u>	<u>241,756</u>	<u>25,444</u>
Other General Government				
Cable T.V. fee	6,500	6,500	6,212	288
Building and permitting	20,000	20,000	17,441	2,559
Holiday fund	6,000	6,930	6,930	-
Total Other General Government	<u>32,500</u>	<u>33,430</u>	<u>30,583</u>	<u>2,847</u>
Total General Government Expenditures	<u>\$ 273,000</u>	<u>\$ 300,630</u>	<u>\$ 272,339</u>	<u>\$ 28,291</u>

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2009

	<u>Budgeted Amount Original</u>	<u>Budgeted Amount Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public Safety				
Police services	\$ 50,000	\$ 50,000	\$ 43,975	\$ 6,025
Total Public Safety Expenditures	<u>50,000</u>	<u>50,000</u>	<u>43,975</u>	<u>6,025</u>
Public Works				
Highways and Streets				
Street lighting	17,000	17,000	16,427	573
Tree maintenance	40,000	35,000	35,730	(730)
Tree replacement	10,000	10,000	8,960	1,040
Street and sidewalk maintenance	100,000	50,000	37,374	12,626
Street improvements - CIP	100,000	50,000	29,510	20,490
Right-of-way maintenance	5,000	5,000	5,383	(383)
Urban planner	30,000	30,000	-	30,000
Snow removal - plowing	6,500	6,500	4,320	2,180
Snow removal - shoveling	15,000	17,000	15,743	1,257
Total Highway and Streets	<u>323,500</u>	<u>220,500</u>	<u>153,447</u>	<u>67,053</u>
Sanitation and Waste Removal				
Waste collection and recycling	85,900	83,000	81,378	1,622
Leaf bags	10,000	10,000	9,625	375
Total Sanitation and Waste Removal	<u>95,900</u>	<u>93,000</u>	<u>91,003</u>	<u>1,997</u>
Total Public Works Expenditures	<u>419,400</u>	<u>313,500</u>	<u>244,450</u>	<u>69,050</u>
Recreation				
Community events	22,000	22,000	19,360	2,640
Total Recreation	<u>22,000</u>	<u>22,000</u>	<u>19,360</u>	<u>2,640</u>
Total Expenditures	<u>\$ 764,400</u>	<u>\$ 686,130</u>	<u>\$ 580,124</u>	<u>\$ 106,006</u>

The accompanying notes are an integral part of this schedule.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Required Supplemental Information
June 30, 2009

Note 1 – Summary of Significant Budget Policies

The Village Council annually adopts a budget for the General Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund. On April 17, 2008, the Village Council approved the original adopted budget for the fiscal year ended June 30, 2009. On June 25, 2009, the Village Council approved the revised budget reflected in the financial statements for fiscal year ending June 30, 2009.

The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Note 2 – Material Violations

There were no material violations of the annual appropriated budgets for the General Fund for the fiscal year ended June 30, 2009. In addition, there were no excesses of budgetary expenditures for the period.