
**VILLAGE OF MARTIN'S
ADDITIONS, MARYLAND**
**Financial Statements and Report
of Independent Certified Public
Accountants**

**For the Years Ended
June 30, 2010 and 2009**

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

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
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June 30, 2010 and 2009

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Linton Shafer Warfield & Garrett, P.A.
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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, each major fund and the aggregate remaining fund information of the Village of Martin's Additions, Maryland (the Village), as of and for the years ended June 30, 2010 and 2009, 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, each major fund and the aggregate remaining fund information of the Village of Martin's Additions, Maryland as of June 30, 2010 and 2009, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information while not part of the basic financial statements is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

October 14, 2010

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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, 2010. 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 \$1,125,608 (net assets). Of this amount, \$936,441 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$260,211.
- As of the close of the fiscal year, the Village of Martin's Additions governmental funds reported combined ending fund balances of \$935,135, a decrease of \$254,695 in comparison with the prior year. Approximately 36% of this total amount, \$332,840, is available for spending at the government's discretion (unreserved fund balance). The balance of \$602,295 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 \$1,125,608 at the close of the most recent fiscal year.

Approximately 17% 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	\$ 986,371
Capital assets	<u>189,167</u>
Total assets	<u>1,175,538</u>
Other liabilities	<u>49,930</u>
Total liabilities	<u>49,930</u>
Net assets	<u>\$ 1,125,608</u>
Invested in capital assets	\$ 189,167
Unrestricted	<u>936,441</u>
Total net assets	<u>\$ 1,125,608</u>

The unrestricted net assets of \$936,441 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities decreased the Village of Martin's Additions net assets by \$260,211. The biggest cause for this decrease in net assets was a decrease in income taxes by \$384,994 over the prior year amount.

Village of Martin's Additions Changes in Net Assets

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ 16,916
Operating grants and contributions	23,667
General revenues:	
Taxes	326,023
Other	<u>28,773</u>
Total Revenues	<u>\$ 395,379</u>
Expenses:	
General government	\$ 237,941
Building & Zoning	29,774
Public works	323,650
Public safety	40,925
Recreation	<u>23,300</u>
Total Expenses	<u>\$ 655,590</u>
Decrease in net assets	\$ 260,211
Net assets, July 1, 2009	<u>1,385,819</u>
Net assets, June 30, 2010	<u>\$ 1,125,608</u>

Taxes of \$326,023 comprised 83% of the total revenues of \$395,379. 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.

During the fiscal year, the revenues for the Village were impacted greatly. Three revenue accounts were severely under budget and under the prior year's level. These include income taxes, state highway user revenue and interest on investments. State income taxes for the year totaled \$293,972. This amount was \$156,028 under budget and \$384,995 less than the prior year's level of \$678,967. As this income source is the largest revenue for

the Village, it impacted the level of capital improvement projects that were planned for the year and forced the Village to revisit the budget throughout the year.

Also during the year the State cut highway user funding by 90%. This resulted in the Village only receiving \$3,851 from this revenue source. This was \$26,149 less than budgeted and \$28,937 less than the prior year amount. This cut is expected to continue into future fiscal years.

Interest rates were at an all time low during the year. This affected the amount of investment income that the Village received. With close to a \$1,000,000 average investable cash balance during the year the Village was only able to achieve interest income of \$2,294 for the year. This was \$12,706 less than budget and \$13,070 less than the prior year. Interest rates are projected to remain low through the next fiscal year.

During the year the State of Maryland experienced two major snow storms. As a result of the storms the Village incurred \$84,078 in snow removal costs. The original snow removal budget was \$30,000. The Village was able to recover \$14,084 from the Federal Emergency Management Agency for cost related to these storms. The Village still had to cover close to \$40,000 of costs for this storm over the budgeted amount.

With the decrease in income tax revenues and cuts in state aid the Village was forced to tighten the budget during the year. Most of the expenditure accounts finished at or below the prior year figures. The Village still proceeded with needed street and sidewalk work in the amount of \$25,270 on Taylor Street, Turner Lane and Brookville Road. These repairs were far less than the originally budgeted \$267,000. The Village also proceeded with the purchase of new recycling bins for the community at a cost of \$18,846.

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 all three of these categories. The effects of these amendments are shown in the schedule below. Most of the major impacts on the budget were discussed in the prior discussion regarding the Governmental Funds. A detailed analysis can also be found in Exhibit B-1 of the financial statements. The final budgeted expenditures increased \$34,700 over the original budget for expenditures. This increase is mainly associated with the adjustments made to allocate funds for snow removal costs due to the two major snow events that the State and Village encountered during the year.

Actual expenditures exceeded revenues by \$254,695 in the General Fund for fiscal year 2010. In fiscal year 2009 revenues exceeded expenditures by \$219,619.

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. The major difference between the final budget figure and the actual expenditures in the public works department is the fact that \$241,730 additional was budgeted for street and sidewalk work but was not completed due to the decreases in revenue encountered during the year.

General Fund	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues			
Taxes	\$ 482,000	\$ 482,000	\$ 326,443
Licenses and Permits	16,500	16,500	16,698
Intergovernmental	49,850	49,850	26,478
Grants	-	-	14,084
Other	<u>21,500</u>	<u>21,500</u>	<u>12,095</u>
Total	<u>569,850</u>	<u>569,850</u>	<u>395,798</u>
Expenditures			
General Government	\$ 279,000	\$ 284,500	\$ 268,170
Public Safety	50,000	42,000	40,925
Public Works	566,500	603,700	318,098
Recreation	<u>25,000</u>	<u>25,000</u>	<u>23,300</u>
Total	<u>920,500</u>	<u>955,200</u>	<u>650,493</u>
Change in Fund Balance	<u>\$ (350,650)</u>	<u>\$ (385,350)</u>	<u>\$ (254,695)</u>

CAPITAL ASSETS

At the end of fiscal year 2010, the Village's governmental activities have invested \$10,229 in office equipment, \$1,381 in leasehold improvements and \$202,394 in infrastructure, as reflected in the following schedule. Total depreciation for the 2010 fiscal year was \$6,695 and accumulated depreciation for all assets was \$24,837.

Governmental Activities - Capital Assets

	<u>Governmental Activities</u>
Non-Depreciable Assets	None
Other Capital Assets	
Infrastructure	202,394
Equipment	10,229
Leasehold Improvements	<u>1,381</u>
Total Capital Assets	214,004
Accumulated Depreciation on Other Capital Assets	<u>(24,837)</u>
Net Capital Assets	<u>\$ 189,167</u>

ECONOMIC FACTORS

Overall, fiscal year 2010 provided many challenges to the Village. Income tax revenues ended the year \$156,028 under budget and \$384,995 less than fiscal year 2009. The total Village fund balance decreased \$254,695 for an ending fund balance of \$935,135. Interest rates and return on investments suffered during the year. The State cut Highway User revenues by 90% in order to help balance the State's budget. While these revenue items impacted the Village's financial position during the year the Village still ended the fiscal year with a healthy surplus. With the uncertain economic climate in the near future the Village Council took appropriate action in formulating the FY2011 budget to make sure that the Village maintains a healthy financial position into the 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>2010</u>	Governmental Activities <u>2009</u>
Assets		
Cash and cash equivalents	\$ 13,050	\$ 27,971
Investments	954,590	1,214,175
Receivables, net	1,466	2,228
Due from other governments	14,970	7,305
Prepaid expenses	2,295	12,539
Capital assets, net	<u>189,167</u>	<u>194,262</u>
 Total Assets	 <u>\$ 1,175,538</u>	 <u>\$ 1,458,480</u>
Liabilities		
Accounts payable	\$ 29,376	\$ 61,011
Refundable deposits	<u>20,554</u>	<u>11,650</u>
 Total Liabilities	 <u>49,930</u>	 <u>72,661</u>
Net Assets		
Invested in capital assets	189,167	194,262
Unrestricted	<u>936,441</u>	<u>1,191,557</u>
 Total Net Assets	 <u>1,125,608</u>	 <u>1,385,819</u>
 Total Liabilities and Net Assets	 <u>\$ 1,175,538</u>	 <u>\$ 1,458,480</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, 2010 (with comparative totals for 2009)

	Program Revenue		Charges for		Net (Expenses) Revenue and Changes in Net Assets	
	Expenses	Operating Grants and Contributions	Services	Governmental Activities	Governmental Activities	
					2010 Total	2009 Total
Functions/Programs						
Governmental Activities						
General government	\$ 237,941	\$ -	\$ 9,583	\$ (228,358)	\$ (228,358)	\$ (242,741)
Building and zoning	29,774	16,698	-	(13,076)	(13,076)	(7,016)
Public works	323,650	-	14,084	(309,566)	(309,566)	(250,000)
Public safety	40,925	218	-	(40,707)	(40,707)	(42,989)
Recreation	23,300	-	-	(23,300)	(23,300)	(19,360)
Total Governmental Activities	\$ 655,590	\$ 16,916	\$ 23,667	(615,007)	(615,007)	(562,106)
General Revenues						
Property taxes				32,051	32,051	27,778
Income taxes				293,972	293,972	678,966
Intergovernmental				26,478	26,478	53,531
Interest				2,295	2,295	15,364
Total General Revenues				354,796	354,796	775,639
Change in Net Assets				(260,211)	(260,211)	213,533
Net Assets, Beginning of Year				1,385,819	1,385,819	1,172,286
Net Assets, End of Year				\$ 1,125,608	\$ 1,125,608	\$ 1,385,819

The accompanying notes are an integral part of this statement.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Balance Sheets
Governmental Funds
June 30,

	2010 General <u>Fund</u>	2009 General <u>Fund</u>
Assets		
Cash and cash equivalents	\$ 13,050	\$ 27,971
Investments	954,590	1,214,175
Receivables, net	1,466	2,228
Due from other governments	14,970	7,305
Prepaid expenses	<u>2,295</u>	<u>12,539</u>
Total Assets	<u>\$ 986,371</u>	<u>\$ 1,264,218</u>
Liabilities		
Accounts payable	\$ 29,376	\$ 61,011
Refundable deposits	20,554	11,650
Deferred property taxes	<u>1,306</u>	<u>1,727</u>
Total Liabilities	<u>51,236</u>	<u>74,388</u>
Fund Balances		
Unreserved, undesignated	332,840	577,291
Unreserved, designated for street improvements	600,000	600,000
Reserved for prepaid expenses	<u>2,295</u>	<u>12,539</u>
Total Fund Balances	<u>935,135</u>	<u>1,189,830</u>
Total Liabilities and Fund Balances	<u>\$ 986,371</u>	<u>\$ 1,264,218</u>
Reconciliation of Total Governmental Fund Balances To Net		
Assets of the Governmental Activities		
Total Governmental Fund Balances	\$ 935,135	\$ 1,189,830
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	1,306	1,727
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>189,167</u>	<u>194,262</u>
Net Assets of Governmental Activities	<u>\$ 1,125,608</u>	<u>\$ 1,385,819</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,

	2010	2009
	General	General
	Fund	Fund
	<u> </u>	<u> </u>
Revenues		
Property taxes	\$ 32,471	\$ 27,328
Taxes - state shared	293,972	678,967
Licenses and permits	16,698	17,530
Intergovernmental	26,478	52,638
Grant	14,084	-
Miscellaneous	<u>12,095</u>	<u>23,280</u>
Total Revenues	<u>395,798</u>	<u>799,743</u>
Expenditures		
General government	268,170	272,339
Public safety	40,925	43,975
Public works	318,098	244,450
Recreation	<u>23,300</u>	<u>19,360</u>
Total Expenditures	<u>650,493</u>	<u>580,124</u>
Excess of Revenues Over (Under) Expenditures	(254,695)	219,619
Fund Balance - Beginning of Year	<u>1,189,830</u>	<u>970,211</u>
Fund Balance - End of Year	<u>\$ 935,135</u>	<u>\$ 1,189,830</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>2010</u>	<u>2009</u>
Net Change in Fund Balance - Total Governmental Funds	\$ (254,695)	\$ 219,619
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(420)	449
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>(5,096)</u>	<u>(6,535)</u>
Net Changes in Net Assets	<u>\$ (260,211)</u>	<u>\$ 213,533</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2010 and 2009

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 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, 2010 and 2009

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, 2010 and 2009

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, 2010 and 2009

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, 2010 and 2009, 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, 2010 and 2009

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, 2010 and 2009 was .08, 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, 2010 and 2009 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, 2010 and 2009

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 Federal Deposit 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, 2010 and 2009, the carrying amounts of the Village's deposits were \$12,949 and \$27,871, respectively, and the bank balances totaled \$27,450 and \$64,174 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, 2010 and 2009 were \$954,590 and \$1,214,175, respectively.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2010 and 2009

Note 3 – Detailed Notes on All Funds (continued)

B. Receivables

Receivables as of June 30, 2010 and 2009 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>2010</u>	<u>2009</u>
Property taxes	\$ 1,307	\$ 1,727
Other	<u>159</u>	<u>501</u>
Gross Receivables	1,466	2,228
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>
Total Receivables - Net	<u>\$ 1,466</u>	<u>\$ 2,228</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, 2010 and 2009 consisting of the following:

	<u>2010</u>	<u>2009</u>
Primary Government		
Federal		
General Fund	\$ 10,466	\$ -
Total Federal	<u>10,466</u>	<u>-</u>
State		
General Fund	<u>2,905</u>	<u>6,723</u>
Total State	<u>2,905</u>	<u>6,723</u>
County		
General Fund	<u>1,599</u>	<u>582</u>
Total County	<u>1,599</u>	<u>582</u>
Total Primary Government	<u>\$ 14,970</u>	<u>\$ 7,305</u>

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2010 and 2009

Note 3 – Detailed Notes on All Funds (continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets, being depreciated				
Equipment	\$ 8,629	\$ 1,600	\$ -	\$ 10,229
Leasehold improvements	1,381	-	-	1,381
Infrastructure	<u>202,394</u>	<u>-</u>	<u>-</u>	<u>202,394</u>
Total capital assets being depreciated	<u>212,404</u>	<u>1,600</u>	<u>-</u>	<u>214,004</u>
Less accumulated depreciation for:				
Equipment	(5,464)	(1,498)	-	(6,962)
Leasehold improvements	(414)	(138)	-	(552)
Infrastructure	<u>(12,264)</u>	<u>(5,059)</u>	<u>-</u>	<u>(17,323)</u>
Total accumulated depreciation	<u>(18,142)</u>	<u>(6,695)</u>	<u>-</u>	<u>(24,837)</u>
Total capital assets, being depreciated, net	<u>194,262</u>	<u>(5,095)</u>	<u>-</u>	<u>189,167</u>
Governmental activities capital assets, net	<u>\$ 194,262</u>	<u>\$ (5,095)</u>	<u>\$ -</u>	<u>\$ 189,167</u>

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

Governmental activities	<u>2010</u>	<u>2009</u>
General government	\$ 1,145	\$ 985
Public works	<u>5,550</u>	<u>5,550</u>
Total Depreciation Expense	<u>\$ 6,695</u>	<u>\$ 6,535</u>

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2010 and 2009

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 \$4,510 and \$3,870 for the fiscal years ended June 30, 2010 and 2009, 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, 2010 and 2009 was \$26,166 and \$25,805, respectively.

The minimum lease payments are as follows:

For the Fiscal Year Ending		
2011	\$	22,896
2012		23,109
2013		23,748
2014		23,748
2015		23,748

Note 5 – Subsequent Events

Management has evaluated subsequent events through October 14, 2010, the date that the financials statements were available to be issued. There were no significant events to report.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Required Supplemental Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2010

	Budgeted Amount <u>Original</u>	Budgeted Amount <u>Final</u>	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Local				
Real property tax	\$ 24,000	\$ 24,000	\$ 25,045	\$ 1,045
Personal property, ordinary business and public utilities tax	8,000	8,000	7,715	(285)
Total Taxes - Local	32,000	32,000	32,760	760
Prior year additions/abatements	-	-	(289)	(289)
Total Taxes - Local - Net	32,000	32,000	32,471	471
State Shared				
Income tax	450,000	450,000	293,972	(156,028)
Total Taxes - State Shared	450,000	450,000	293,972	(156,028)
Total Taxes	482,000	482,000	326,443	(155,558)
Licenses and Permits				
Permit fees	10,000	10,000	10,617	617
Cable T.V. franchise tax	6,500	6,500	6,081	(419)
Total Licenses and Permits	16,500	16,500	16,698	198
Intergovernmental Revenues				
State highway user	30,000	30,000	3,851	(26,149)
County revenue sharing	19,850	19,850	22,627	2,777
Total Intergovernmental Revenues	\$ 49,850	\$ 49,850	\$ 26,478	\$ (23,372)

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Required Supplemental Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2010

	Budgeted Amount <u>Original</u>	Budgeted Amount <u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
Grant				
Federal Grants				
FEMA Reimbursement	\$ -	\$ -	\$ 14,084	\$ 14,084
Total Federal Grants	-	-	14,084	14,084
Total Grants	-	-	14,084	14,084
Miscellaneous				
Code infractions	500	500	218	(282)
Interest	15,000	15,000	2,294	(12,706)
Holiday fund	6,000	6,000	9,583	3,583
Total Miscellaneous	21,500	21,500	12,095	(9,405)
Total Revenues	<u>\$ 569,850</u>	<u>\$ 569,850</u>	<u>\$ 395,798</u>	<u>\$ (174,053)</u>

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Required Supplemental Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2010

Expenditures	Budgeted Amount <u>Original</u>	Budgeted Amount <u>Final</u>	Actual <u>Amounts</u>	Variance with Final Budget Positive (Negative)
General Government				
Financial Administration				
Administrative salaries	\$ 75,000	\$ 75,000	\$ 76,576	\$ (1,576)
Payroll taxes and benefits	16,000	14,000	17,368	(3,368)
Accounting and auditing	27,500	27,500	27,500	-
Legal	50,000	37,000	32,612	4,388
Dues and subscriptions	9,000	9,000	4,810	4,190
Office lease	26,000	27,000	26,166	834
Office expenses	18,000	18,000	16,021	1,979
Office furniture and equipment	2,000	4,000	1,900	2,100
Telephone	3,000	2,500	2,314	186
Storage rental	3,000	3,000	2,760	240
Printing and mailing	15,000	18,000	15,983	2,017
Insurance	5,000	5,000	4,510	490
Website	2,000	2,000	299	1,701
Total Financial Administration	<u>251,500</u>	<u>242,000</u>	<u>228,819</u>	<u>13,181</u>
Other General Government				
Cable T.V. fee	6,500	6,500	6,081	419
Building and permitting	15,000	30,000	23,693	6,307
Holiday fund	6,000	6,000	9,577	(3,577)
Total Other General Government	<u>27,500</u>	<u>42,500</u>	<u>39,351</u>	<u>3,149</u>
Total General Government Expenditures	<u>\$ 279,000</u>	<u>\$ 284,500</u>	<u>\$ 268,170</u>	<u>\$ 16,330</u>

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010

	<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	\$ 42,000	\$ 40,925	\$ 1,075
Total Public Safety Expenditures	<u>50,000</u>	<u>42,000</u>	<u>40,925</u>	<u>1,075</u>
Public Works				
Highways and Streets				
Street lighting	17,500	17,500	15,059	2,441
Tree maintenance	35,000	30,000	27,429	2,571
Tree replacement	10,000	7,500	5,515	1,985
Survey tree maintenance	5,000	5,000	-	5,000
Street cleaning- fall/spring	13,500	13,500	8,400	5,100
Street and sidewalk maintenance	36,500	30,000	23,873	6,127
Taylor Street - sidewalks	72,000	72,000	6,305	65,695
Turner Lane - street repairs	20,000	20,000	8,990	11,010
Brookville Road - sidewalk replacemen	175,000	175,000	9,975	165,025
Quincy Street - water problems	7,000	7,000	-	7,000
Right-of-way maintenance	5,000	5,000	295	4,705
Street light study	15,000	20,000	18,481	1,519
Urban Planner	17,000	-	-	-
Survey Upkeep	3,000	3,000	1,305	1,695
Snow removal - plowing	10,000	25,000	32,193	(7,193)
Snow removal - shoveling	20,000	61,000	51,885	9,115
Total Highway and Streets	<u>\$ 461,500</u>	<u>\$ 491,500</u>	<u>\$ 209,705</u>	<u>\$ 281,795</u>

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010

Public Works - continued				
Sanitation and Waste Removal				
Waste collection and recycling	\$ 88,000	\$ 82,000	\$ 79,782	\$ 2,218
New recycling bins	7,000	19,000	18,846	154
Leaf bags	<u>10,000</u>	<u>11,200</u>	<u>9,765</u>	<u>1,435</u>
Total Sanitation and Waste Removal	<u>105,000</u>	<u>112,200</u>	<u>108,393</u>	<u>3,807</u>
Total Public Works Expenditures	<u>566,500</u>	<u>603,700</u>	<u>318,098</u>	<u>285,602</u>
Recreation				
Community events	<u>25,000</u>	<u>25,000</u>	<u>23,300</u>	<u>1,700</u>
Total Recreation	<u>25,000</u>	<u>25,000</u>	<u>23,300</u>	<u>1,700</u>
Total Expenditures	<u>\$ 920,500</u>	<u>\$ 955,200</u>	<u>\$ 650,493</u>	<u>\$ 304,707</u>

The accompanying notes are an integral part of this schedule.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Required Supplemental Information
June 30, 2010

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 16, 2009, the Village Council approved the original adopted budget for the fiscal year ended June 30, 2010. On March 30, 2010, the Village Council approved the revised budget reflected in the financial statements for fiscal year ending June 30, 2010.

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, 2010. In addition, there were no excesses of budgetary expenditures for the period.