VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Financial Statements, Supplementary Information and Report of Independent Certified Public Accountants

For the Years Ended June 30, 2011 and 2010

LSWG

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

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
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June 30, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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

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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 out 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, 2011

Linton Shafer Warfield & Garrett

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, 2011. 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 $1,261,124 (net assets). Of this amount, $1,078,812 (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 $135,516.

- As of the close of the fiscal year, the Village of Martin's Additions governmental funds reported combined ending fund balances of $1,078,706, an increase of $143,571 in comparison with the prior year. Approximately 16% of this total amount, $164,771, is available for spending at the government's discretion (unassigned fund balance). Of the remaining balance of $913,935, $1,767 is nonspendable as it is a prepaid expense. $312,168 is committed for next year's operations and $600,000 is assigned for street improvements.

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 $1,261,124 at the close of the most recent fiscal year.

Approximately 15% 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

	Governmental
Current and other assets	$ 1,131,213
Capital assets	182,312
Total assets	1,313,525
Other liabilities	52,401
Total liabilities	52,401
Net assets	$ 1,261,124
Invested in capital assets	$ 182,312
Unrestricted	1,078,812
Total net assets	$ 1,261,124

The unrestricted net assets of $1,078,812 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 $135,516. The largest increase in net assets was an increase in property taxes by $118,807 over the prior year amount. This was the result of an increase in the real property tax rate from .008 to .04.

Village of Martin's Additions Changes in Net Assets

	Governmental Activities
Revenues:	
Program revenues:	
Charges for services	$ 24,894
Operating grants and contributions	11,796
General revenues:	
Taxes	504,709
Other	26,922
Total Revenues	$ 568,321
Expenses:	
General government	$ 231,207
Building & Zoning	28,550
Public works	170,150
Public safety	-
Recreation	2,898
Total Expenses	$ 432,805
Increase in net assets	$ 135,516
Net assets, July 1, 2010	1,125,608
Net assets, June 30, 2011	$ 1,261,124

Taxes of $504,709 comprised 89% of the total revenues of $568,321. 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 property taxes increased significantly from $32,471 to $152,059. This increase was the result of increasing the real property tax from .008 in fiscal year 2010 to .04 in fiscal year 2011.

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. A detailed analysis can also be found in Exhibit B-1 of the financial statements. The final budgeted expenditures were relatively the same in total. Original budgeted expenditures were $466,000. The final budgeted expenditures were $466,260. There were ten expenditure accounts where the budget was adjusted during the year. Amounts were increased and decreased between these accounts during the year while keeping the overall expenditure budget consistent. The revenue budget was not adjusted during the year.

Actual revenues exceeded expenditures by $143,571 in the General Fund for fiscal year 2011. In fiscal year 2010 expenditures exceeded revenues by $254,695.

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 in revenues between the final budget and actual was attributed to a higher than expected collection of income taxes. Income taxes were budgeted at $300,000 and actual collections totaled $353,851.

General Fund	Original Budget	Final Budget	Actual
Revenues			
Taxes	$ 452,000	$ 452,000	$ 505,910
Licenses and Permits	16,500	16,500	21,287
Intergovernmental	24,500	24,500	26,833
Other	6,600	6,600	15,492
Total	499,600	499,600	569,522
Expenditures			
General Government	$266,000	$ 272,200	$ 258,452
Public Works	195,000	189,060	164,601
Recreation	5,000	5,000	2,898
Total	466,000	466,260	425,951
Change in Fund Balance	$ 33,600	$ 33,340	$ 143,571

CAPITAL ASSETS

At the end of fiscal year 2011, 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 2011 fiscal year was $6,855 and accumulated depreciation for all assets was $31,692. The net capital assets for the Village at the end of the fiscal year was $182,312.

Governmental Activities - Capital Assets

	Governmental Activities
Non-Depreciable Assets	None
Other Capital Assets	
Infrastructure	202,394
Equipment	10,229
Leasehold Improvements	1,381
Total Capital Assets	214,004
Accumulated Depreciation on Other Capital Assets	(31,692)
Net Capital Assets	$ 182,312

ECONOMIC FACTORS

Overall, fiscal year 2011 was a positive year. The Village's fund balance increased $143,571 for an ending fund balance of $1,078,706. The Village Council maintained a conservative approach in formulating the FY2012 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.

Exhibit A-1

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

	Governmental Activities 2011	Governmental Activities 2010
Assets		
Cash and cash equivalents	$ 53,063	$ 13,050
Investments	1,066,167	954,590
Receivables, net	7,345	1,466
Due from other governments	2,871	14,970
Prepaid expenses	1,767	2,295
Capital assets, net	182,312	189,167
Total Assets	$ 1,313,525	$ 1,175,538
Liabilities		
Accounts payable	$ 34,383	$ 29,376
Refundable deposits	18,018	20,554
Total Liabilities	52,401	49,930
Net Assets		
Invested in capital assets	182,312	189,167
Unrestricted	1,078,812	936,441
Total Net Assets	1,261,124	1,125,608
Total Liabilities and Net Assets	$ 1,313,525	$ 1,175,538

The accompanying notes are an integral part of these statements.

Exhibit A-2

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Statement of Program Activities

For the Year Ended June 30, 2011 (with comparative totals for 2010)

		Program Revenue		Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	2011 Total	2010 Total
Functions/Programs						
Governmental Activities						
General government	$ 231,207	$ -	$ 6,255	$ (224,952)	$ (224,952)	$ (228,358)
Building and zoning	28,550	21,287	-	(7,263)	(7,263)	(13,076)
Public works	170,150	-	5,541	(164,609)	(164,609)	(309,566)
Public safety	-	3,607	-	3,607	3,607	(40,707)
Recreation	2,898	-	-	(2,898)	(2,898)	(23,300)
Total Governmental Activities	$ 432,805	$ 24,894	$ 11,796	(396,115)	(396,115)	(615,007)
General Revenues						
Property taxes				150,858	150,858	32,051
Income taxes				353,851	353,851	293,972
Intergovernmental				24,012	24,012	26,478
Interest				2,910	2,910	2,295
Total General Revenues				531,631	531,631	354,796
Change in Net Assets				135,516	135,516	(260,211)
Net Assets, Beginning of Year				1,125,608	1,125,608	1,385,819
Net Assets, End of Year				$ 1,261,124	$ 1,261,124	$ 1,125,608

The accompanying notes are an integral part of this statement.

Exhibit A-3

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Balance Sheets
Governmental Funds
June 30,

	2011 General Fund	2010 General Fund
Assets		
Cash and cash equivalents	$ 53,063	$ 13,050
Investments	1,066,167	954,590
Receivables, net	7,345	1,466
Due from other governments	2,871	14,970
Prepaid expenses	1,767	2,295
Total Assets	$ 1,131,213	$ 986,371
Liabilities		
Accounts payable	$ 34,383	$ 29,376
Refundable deposits	18,018	20,554
Deferred property taxes	106	1,306
Total Liabilities	52,507	51,236
Fund Balances		
Nonspendable		
Prepaid expenses	1,767	2,295
Committed		
Fund balance for next year's operations	312,168	-
Assigned		
Street improvements	600,000	600,000
Unassigned	164,771	332,840
Total Fund Balances	1,078,706	935,135
Total Liabilities and Fund Balances	$ 1,131,213	$ 986,371
Reconciliation of Total Governmental Fund Balances To Net Assets of the Governmental Activities		
Total Governmental Fund Balances	$ 1,078,706	$ 935,135
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	106	1,306
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	182,312	189,167
Net Assets of Governmental Activities	$ 1,261,124	$ 1,125,608

The accompanying notes are an integral part of these statements.

Exhibit A-4

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

	2011 General Fund	2010 General Fund
Revenues		
Property taxes	$ 152,059	$ 32,471
Taxes - state shared	353,851	293,972
Licenses and permits	21,287	16,698
Intergovernmental	26,833	26,478
Grants	-	14,084
Miscellaneous	15,492	12,095
Total Revenues	569,522	395,798
Expenditures		
General government	258,452	268,170
Public safety	-	40,925
Public works	164,601	318,098
Recreation	2,898	23,300
Total Expenditures	425,951	650,493
Excess of Revenues Over (Under) Expenditures	143,571	(254,695)
Fund Balance - Beginning of Year	935,135	1,189,830
Fund Balance - End of Year	$ 1,078,706	$ 935,135

The accompanying notes are an integral part of these statements.

Exhibit A-5

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,

	2011	2010
Net Change in Fund Balance - Total Governmental Funds	$ 143,571	$ (254,695)
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.	(1,200)	(420)
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 does (does not) exceed capital outlay in the current period.	(6,855)	(5,096)
Net Changes in Net Assets	$ 135,516	$ (260,211)

The accompanying notes are an integral part of these statements.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2011 and 2010

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. 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, 2011 and 2010

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, 2011 and 2010

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.

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.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2011 and 2010

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, 2011 and 2010, 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, 2011 and 2010

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 residential real property tax rates for the Village for fiscal years ended June 30, 2011 and 2010 was .04 and .008, respectively, per $100 of assessed taxable value. The public utilities tax rates for fiscal years ended June 30, 2011 and 2010 was $1.45 and .50, respectively, per $100 of assessed taxable value. The commercial property tax rates for fiscal years ended June 30, 2011 and 2010 was .10 and .008, respectively, per $100 of assessed taxable value. The personal property tax rates for fiscal years ended June 30, 2011 and 2010 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, 2011 and 2010

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, 2011 and 2010, the carrying amounts of the Village's deposits were $52,962 and $12,949, respectively, and the bank balances totaled $72,031 and $27,450 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, 2011 and 2010 were $1,066,167 and $954,590, respectively.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2011 and 2010

Note 3 – Detailed Notes on All Funds (continued)

B. Receivables

Receivables as of June 30, 2011 and 2010 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:	2011	2010
Property taxes	$ 7,258	$ 1,307
Other	87	159
Gross Receivables	7,345	1,466
Less: allowance for uncollectibles	-	-
Total Receivables - Net	$ 7,345	$ 1,466

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, 2011 and 2010 consisting of the following:

	2011	2010
Primary Government		
Federal		
General Fund	$ -	$ 10,466
Total Federal	-	10,466
State		
General Fund	1,235	2,905
Total State	1,235	2,905
County		
General Fund	1,636	1,599
Total County	1,636	1,599
Total Primary Government	$ 2,871	$ 14,970

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2011 and 2010

Note 3 – Detailed Notes on All Funds (continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Equipment	$ 10,229	$ -	$ -	$ 10,229
Leasehold improvements	1,381	-	-	1,381
Infrastructure	202,394	-	-	202,394
Total capital assets being depreciated	214,004	-	-	214,004
Less accumulated depreciation for:				
Equipment	(6,962)	(1,657)	-	(8,619)
Leasehold improvements	(552)	(138)	-	(690)
Infrastructure	(17,323)	(5,060)	-	(22,383)
Total accumulated depreciation	(24,837)	(6,855)	-	(31,692)
Total capital assets, being depreciated, net	189,167	(6,855)	-	182,312
Governmental activities capital assets, net	$ 189,167	$ (6,855)	$ -	$ 182,312

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

Governmental activities	2011	2010
General government	$ 1,305	$ 1,145
Public works	5,550	5,550
Total Depreciation Expense	$ 6,855	$ 6,695

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2011 and 2010

Note 3 – Detailed Notes on All Funds (continued)

E. Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable – such as fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable and property held for resale.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the Village of Martin's Additions.

Assigned fund balance – includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance – is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Committed Fund Balance

The Village's Committed Fund Balance is fund balance reporting because of motions that passed at Village Council meetings.

The Village's fiscal year 2011-2012 adopted budget contains a projected use of $312,168 of fund balance for the projected operating deficit, as reported in the 2011-2012 adopted budget summary dated May 12, 2011. Consequently, $312,168 of next years projected operating fund balance is general fund committed fund balance.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2011 and 2010

Note 3 – Detailed Notes on All Funds (continued)

E. Fund Balance (continued)

Fund Balance For Next Year's Operations	$	312,168
Total Committed Fund Balance	$	312,168

Assigned Fund Balance

The Village's Assigned Fund Balance is fund balance reporting occurring by the Chairperson and Village Council. Amounts designated by Council street improvements of $600,000.

Order of Fund Balance Spending Policy

The Village's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year.

First non-spendable fund balance is determined. Then restricted fund balances for specific purposes are determined, followed by committed fund balance and assigned fund balance. Unassigned fund balance cannot fall to a negative balance.

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 $4,740 and $4,510 for the fiscal years ended June 30, 2011 and 2010, 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.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2011 and 2010

Note 4 – Commitment and Contingencies

A. Risk Management

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, 2011 and 2010 was $26,417 and $26,166, respectively.

The minimum lease payments are as follows:

For the Fiscal Year Ending		
2012	$	23,109
2013		23,748
2014		23,748
2015		23,748
2016		24,383

C. Employee's Pension Plan

In 2010, the Village adopted a 457 retirement plan. This plan allows employees to contribute to the plan and the Village contributes 6% of each qualified employee's salary. To be qualified an employee has to have six months of service with the Village and be at least 18 years of age. After the qualification requirements have been met, each employee becomes fully vested after 5 years. Employee contributions are 100% vested. During the fiscal years ended June 30, 2011 and 2010, the Village contributed $3,947 and $7,567, respectively, to the plan.

Note 5 – Subsequent Events

Management has evaluated subsequent events through October 14, 2011, 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, 2011

	Budgeted Amount Original	Budgeted Amount Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Local				
Real property tax	$ 133,000	$ 133,000	$ 135,456	$ 2,456
Utilitity tax	11,000	11,000	12,342	1,342
Personal property, ordinary business tax	8,000	8,000	4,533	(3,467)
Total Taxes - Local	152,000	152,000	152,331	331
Prior year additions/abatements	-	-	(272)	(272)
Total Taxes - Local - Net	152,000	152,000	152,059	59
State Shared				
Income tax	300,000	300,000	353,851	53,851
Total Taxes - State Shared	300,000	300,000	353,851	53,851
Total Taxes	452,000	452,000	505,910	53,910
Licenses and Permits				
Permit fees	10,000	10,000	12,975	2,975
Cable T.V. franchise tax	6,500	6,500	8,312	1,812
Total Licenses and Permits	16,500	16,500	21,287	4,787
Intergovernmental Revenues				
State highway user	3,000	3,000	2,821	(179)
County revenue sharing	21,500	21,500	24,012	2,512
Total Intergovernmental Revenues	$ 24,500	$ 24,500	$ 26,833	$ 2,333

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

	Budgeted Amount Original	Budgeted Amount Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Miscellaneous				
Code infractions	$ 100	$ 100	$ 3,607	$ 3,507
Interest	2,000	2,000	2,910	910
Insurance reimbursement	-	-	2,720	2,720
Holiday fund	4,500	4,500	6,255	1,755
Total Miscellaneous	6,600	6,600	15,492	8,892
Total Revenues	$ 499,600	$ 499,600	$ 569,522	$ 69,922

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

Expenditures	Budgeted Amount Original	Budgeted Amount Final	Actual Amounts	Variance with Final Budget Positive (Negative)
General Government				
Financial Administration				
Administrative salaries	$ 87,000	$ 93,000	$ 92,111	$ 889
Payroll taxes and benefits	16,000	16,000	15,188	812
Accounting and auditing	27,500	27,700	27,700	-
Legal	25,000	25,000	24,667	333
Dues and subscriptions	5,000	5,000	3,980	1,020
Office lease	28,000	28,000	26,417	1,583
Office expenses	15,000	15,000	14,663	337
Office furniture and equipment	2,500	2,500	-	2,500
Telephone	2,500	2,500	2,296	204
Storage rental	3,000	3,000	2,862	138
Survey upkeep	3,000	3,000	-	3,000
Printing and mailing	15,000	10,000	8,815	1,185
Insurance	5,000	5,000	4,740	260
Website	2,000	2,000	299	1,701
Total Financial Administration	236,500	237,700	223,738	13,962
Other General Government				
Building and permitting	25,000	30,000	28,550	1,450
Holiday fund	4,500	4,500	6,164	(1,664)
Total Other General Government	29,500	34,500	34,714	(214)
Total General Government Expenditures	$ 266,000	$ 272,200	$ 258,452	$ 13,748

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

	Budgeted Amount Original	Budgeted Amount Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Public Works				
Highways and Streets				
Street lighting	$ 18,000	$ 18,000	$ 14,750	$ 3,250
Tree maintenance	25,000	40,000	37,705	2,295
Tree replacement	2,000	4,060	4,060	-
Street cleaning- fall/spring	10,000	10,000	9,800	200
Intersection rebuild	10,000	10,000	-	10,000
Street maintenance- other	20,000	10,000	9,624	376
Right-of-way maintenance	2,000	2,000	1,005	995
Urban Planner	10,000	2,000	-	2,000
Snow removal - plowing	7,500	7,500	5,940	1,560
Snow removal - shoveling	5,000	2,000	1,080	920
Total Highway and Streets	109,500	105,560	83,964	21,596
Sanitation and Waste Removal				
Waste collection and recycling	79,500	79,500	76,897	2,603
Leaf bags	6,000	4,000	3,740	260
Total Sanitation and Waste Removal	85,500	83,500	80,637	2,863
Total Public Works Expenditures	195,000	189,060	164,601	24,459
Recreation				
Community events	5,000	5,000	2,898	2,102
Total Recreation	5,000	5,000	2,898	2,102
Total Expenditures	$ 466,000	$ 466,260	$ 425,951	$ 40,309

The accompanying notes are an integral part of this schedule.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Required Supplemental Information
June 30, 2011

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 May 13, 2010, the Village Council approved the original adopted budget for the fiscal year ended June 30, 2011. On July 21, 2011, the Village Council approved the revised budget reflected in the financial statements for fiscal year ending June 30, 2011.

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, 2011. In addition, there were no excesses of budgetary expenditures for the period.