



# The Town of Emmitsburg, Maryland

**FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND  
REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

FOR THE YEAR ENDED JUNE 30, 2016



**DRAPER & MCGINLEY, P.A.**

**CERTIFIED PUBLIC ACCOUNTANTS • FINANCIAL CONSULTANTS  
FREDERICK, MARYLAND**

**TOWN OF EMMITSBURG, MARYLAND**  
**SUMMARY OF ELECTED AND APPOINTED OFFICIALS**

**AS OF JUNE 30, 2016**

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**MAYOR**

Donald N. Briggs

**COMMISSIONERS**

Glenn Blanchard

Jennifer Mellor

Tim O'Donnell

Joseph Ritz III

Clifford L. Sweeney

**TOWN MANAGER**

David Haller

**INTERIM TOWN MANAGER**

Cathy Willets

**TOWN AUDITOR**

Draper & McGinley, P.A.

**TOWN ATTORNEY**

John R. Clapp, Esquire

# TOWN OF EMMITSBURG, MARYLAND

## FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION, AND REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED JUNE 30, 2016

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## Draper & McGinley, P.A.

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### REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Mayor and Board of Commissioners  
Town of Emmitsburg, Maryland

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Emmitsburg, Maryland, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Emmitsburg, Maryland's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Emmitsburg, Maryland, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3 – 8 and 36 – 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 inquiries of management about 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.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of the Town of Emmitsburg, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Emmitsburg, Maryland's internal control over financial reporting and compliance.

*Drapen & McGinley, P.A.*

Frederick, Maryland  
October 28, 2016



# Town of Emmitsburg

Mayor Donald N. Briggs

**Board of Commissioners**  
Timothy O'Donnell, *President*  
Clifford Sweeney, *Vice President*  
Glenn Blanchard, *Treasurer*  
Joseph Ritz III  
Elizabeth Buckman  
**Town Manager**  
Cathy Willets  
**Town Clerk**  
Cathy Willets

## TOWN OF EMMITSBURG, MARYLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Emmitsburg, Maryland, we offer readers of the Town of Emmitsburg's financial statements this narrative overview and analysis of the financial activities of the Town of Emmitsburg as of and for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with all other information furnished in this package.

### FINANCIAL HIGHLIGHTS:

1. The Town's government-wide net position decreased \$28,615 in fiscal year 2016 as compared to an increase of \$4,035,213 in fiscal year 2015. This was primarily due to the completion of construction of the Town's Waste Water Treatment Plant.
2. The assets of the Town of Emmitsburg exceeded its liabilities and as of June 30, 2016 as below noted:  
  
Governmental Activities ..... \$4,867,881 (up \$6,080 from last year)  
  
Business-Type Activities – Enterprise Funds .....\$28,104,367 (down \$34,695 from last year):  
primarily due to decreased accounts payable at fiscal year-end.  
  
Of the total net position, \$5,150,992 is unrestricted, \$1,320,480 is restricted and \$26,500,776 is net investment in capital assets.
3. Total governmental and business-type assets were \$5,858,021 and \$35,448,403, respectively. Capital assets, net of accumulated depreciation, for governmental and business-type activities were \$3,576,622 and \$30,098,597, respectively.

For more information go to [www.emmitsburgmd.gov](http://www.emmitsburgmd.gov)

4. Total deferred outflows of resources for governmental and business-type activities were \$70,724 and \$71,040, respectively.
5. Total governmental and business-type liabilities were \$911,988 and \$7,361,145, respectively. Of these amounts, \$7,809,610 are long-term liabilities.
6. Total deferred inflows of resources for governmental and business-type activities were \$148,876 and \$53,931, respectively.
7. As of June 30, 2016, the Town of Emmitsburg's governmental funds reported a combined ending fund balance of \$1,958,946 (up \$56,440 from last year). Of that amount, \$1,259,756 is unassigned or 64.3% of total government fund balance.
8. As of June 30, 2016, the Town of Emmitsburg's revenues were as herein noted: Governmental Funds were \$1,796,374 (up \$28,998 or 1.6% from last year), Enterprise Funds operating revenues were \$1,429,064 (down \$141,820 or 9.0% from last year). The increase in governmental funds revenue was primarily from increased Local Income and Property Tax revenues. A decrease in water consumption during the fiscal year was responsible for the decreased business-type revenue variance.
9. As of June 30, 2016 the Town of Emmitsburg's expenditures were as herein noted: Governmental Funds were \$1,739,934 (up \$137,584 or 8.6% from last year), Enterprise Funds operating expenses were \$1,596,507 (up \$361,373 or 29.26% from last year). The governmental funds increase is contributable to an increase in general government expenditures. The majority of the business-type increase is contributable to the Town's Waste Water Treatment Plant being placed into active service during fiscal year 2016.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS:**

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town of Emmitsburg's finances, in a manner similar to a private-sector business.

For more information go to [www.emmitsburgmd.gov](http://www.emmitsburgmd.gov)

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Emmitsburg include legislative, executive, planning and zoning, public safety, garbage, streets, recreation & parks, and other charges. The major business-type activities of the Town of Emmitsburg include the water & sewer enterprise funds.

The government-wide financial statements include only the Town of Emmitsburg itself (known as the primary government).

The government-wide financial statements can be found on pages 9 – 10 of this report.

**Fund financial statements.** 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 town, 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 Town of Emmitsburg can be divided into two (2) categories: governmental funds and proprietary funds.

The fund financial statements can be found on pages 11 – 17 of this report.

**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 the two.

The governmental funds financial statements can be found on pages 11 – 13 of this report.

**Proprietary funds.** The Town of Emmitsburg maintains two proprietary, or enterprise, funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Town of Emmitsburg operates a Sanitary Sewer Enterprise Fund and a Water Enterprise Fund.

The proprietary funds financial statements can be found on pages 14 – 17 of this report.

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

The notes to the financial statements can be found on pages 18 – 35 of this report.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information.

The required supplementary information can be found on pages 36 – 42 of this report.

With all of the aforementioned stated, please review the following data closely for a detailed accounting of the financial activities and assets of the Town of Emmitsburg, Maryland.

The following table summarizes revenues and expenses for the governmental activities of the Town and totals for the government overall:

	Governmental Activities		Total Government	
	2015	2016	2015	2016
<b>REVENUES</b>				
Program Revenues				
Charges for services	\$ 315,428	\$ 276,590	\$ 1,886,312	\$ 1,705,654
Operating grants and contributions	99,306	125,951	99,306	125,951
Capital grants and contributions	30,315	9,918	3,652,318	326,396
General Revenues				
Taxes	915,556	961,136	915,556	961,136
Intergovernmental	371,666	366,372	371,666	366,372
Investment income	1,207	3,396	2,481	7,116
Rental income	31,520	33,007	36,770	37,807
Miscellaneous	2,379	20,003	8,290	20,453
<b>TOTAL REVENUES</b>	<b>\$ 1,767,377</b>	<b>\$ 1,796,373</b>	<b>\$ 6,972,699</b>	<b>\$ 3,550,885</b>
<b>PROGRAM EXPENSES</b>				
General government	\$ 597,952	\$ 641,744	\$ 597,952	\$ 641,744
Public safety	232,062	259,939	232,062	259,939
Public works	587,224	632,378	587,224	632,378
Recreation and culture	214,748	242,009	214,748	242,009
Interest	17,264	14,223	17,264	14,223
Business-type activities	-	-	1,288,236	1,789,207
<b>TOTAL PROGRAM EXPENSES</b>	<b>1,649,250</b>	<b>1,790,293</b>	<b>2,937,486</b>	<b>3,579,500</b>
<b>TRANSFERS</b>	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>\$ 118,127</b>	<b>\$ 6,080</b>	<b>\$ 4,035,213</b>	<b>\$ (28,615)</b>

For more information go to [www.emmitsburgmd.gov](http://www.emmitsburgmd.gov)

## **Budget Variances**

In comparing the final budget amounts to the actual revenues and expenditures for the Town's General Fund, the Town's revenues were higher than the appropriated budget by \$73,217 or 4.3% above expectations. Revenues associated with personal property tax, intergovernmental revenues, and miscellaneous revenues were above expectations. During fiscal year 2016, the Town received a onetime State Highway Grant helping it exceed budgeted expectations for General Fund revenue. General Fund expenditures were under budget by \$41,343 or 2.6% below budgeted expenses.

## **Budget Fiscal Year 2017**

Approved fiscal year 2017 General Fund revenues budget is \$1,687,388. Budgeted General Fund expenses before transfer to CIP is \$1,565,576. General Fund budgeted transfer to CIP is \$121,812.

The real estate tax rate will remain unchanged from fiscal year 2016. The constant yield rate was determined at the same rate as 2016. Real Estate Tax revenue held steady in both fiscal years 2015 & 2016.

The Town will continue to set aside budgetary amounts in the Capital Projects Fund with an emphasis on curb, gutter, sidewalk, & road work along with future vehicle replacement.

Renovations for the Town of Emmitsburg Community Pool are anticipated to begin in the spring of 2017. A grant of \$217,200 from the Department of Natural Resources has been acquired under the Community Parks & Playgrounds funding source. This will allow renovation for the 45 year old pool at Emmitsburg Community Park.

Construction work on the Town Square is scheduled to begin in fiscal year 2017 and will have approximate costs of \$300,000. The Town Square costs will be partially funded by a grant with a portion to be funded by Town resources.

Water & sewer rates will remain the same as fiscal year 2016. Minimum quarterly rates for water are \$35 and \$113 for sewer for a residential household with a standard ¾ inch meter size. These rates are based upon the minimum first 6,000 gallons. The Town of Emmitsburg's rate schedule is a tier schedule based upon the amount of gallons used each quarter. A rate schedule can be obtained upon request by contacting the Town offices.

With completion of the state-required wastewater treatment plant during fiscal year 2016 a full year of operating costs associated with the newly constructed plant will be absorbed by the Town's Enterprise Funds in fiscal year 2017. Additional supplies and chemicals along with increased depreciation on the treatment plant will be major factors. Town staff will need to continue to monitor expenses in this area.

For more information go to [www.emmitsburgmd.gov](http://www.emmitsburgmd.gov)

**Request for more information:**

This financial report is designed to provide a general overview of the Town of Emmitsburg's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town Manager  
300A S. Seton Avenue  
Emmitsburg, Maryland 21727

For more information go to [www.emmitsburgmd.gov](http://www.emmitsburgmd.gov)

**TOWN OF EMMITSBURG, MARYLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,108,017	\$ 3,827,653	\$ 5,935,670
Restricted cash	-	1,114,080	1,114,080
Property taxes receivable, net	28,744	-	28,744
Due from customers	46,528	369,888	416,416
Due from other governments	61,781	-	61,781
Other receivables	31,064	-	31,064
Benefit assessments	-	24,995	24,995
Prepaid expenses	5,265	13,190	18,456
Capital assets:			
Capital assets not being depreciated	1,263,101	2,897,664	4,160,765
Capital assets being depreciated	6,571,013	34,975,858	41,546,871
Less: Accumulated depreciation	(4,257,492)	(7,774,925)	(12,032,417)
Capital assets, net	<u>3,576,622</u>	<u>30,098,597</u>	<u>33,675,219</u>
<b>Total Assets</b>	<u>5,858,021</u>	<u>35,448,403</u>	<u>41,306,424</u>
<b>Deferred Outflows of Resources</b>	<u>70,724</u>	<u>71,040</u>	<u>141,764</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>5,928,745</u>	<u>35,519,443</u>	<u>41,448,188</u>
<b>Liabilities</b>			
Accounts payable	102,667	32,364	135,031
Accrued liabilities	54,525	111,462	165,987
Compensated absences	108,716	50,589	159,305
Benefit assessments - current	-	3,200	3,200
Long-term liabilities:			
Benefit assessments - noncurrent	-	38,495	38,495
Net pension liability	346,070	250,602	596,672
Debt obligations due within one year	33,788	501,263	535,051
Debt obligations due in more than one year	266,222	6,373,170	6,639,392
<b>Total Liabilities</b>	<u>911,988</u>	<u>7,361,145</u>	<u>8,273,133</u>
<b>Deferred Inflows of Resources</b>	<u>148,876</u>	<u>53,931</u>	<u>202,807</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>1,060,864</u>	<u>7,415,076</u>	<u>8,475,940</u>
<b>Net Position</b>			
Net investment in capital assets	3,276,612	23,224,164	26,500,776
Restricted - specific purposes	206,400	1,114,080	1,320,480
Unrestricted	1,384,869	3,766,123	5,150,992
<b>Total Net Position</b>	<u>\$ 4,867,881</u>	<u>\$ 28,104,367</u>	<u>\$ 32,972,248</u>

The accompanying notes are an integral part of this statement.

**TOWN OF EMMITSBURG, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
Governmental activities							
General government	\$ (641,744)	\$ 40,332	\$ -	\$ -	\$ (601,412)	\$ -	\$ (601,412)
Public safety	(259,939)	-	16,167	-	(243,772)	-	(243,772)
Public works	(632,378)	216,691	106,784	-	(308,903)	-	(308,903)
Recreation and culture	(242,009)	19,567	3,000	9,918	(209,524)	-	(209,524)
Interest on long-term debt	(14,223)	-	-	-	(14,223)	-	(14,223)
Total governmental activities	<u>(1,790,293)</u>	<u>276,590</u>	<u>125,951</u>	<u>9,918</u>	<u>(1,377,834)</u>	<u>-</u>	<u>(1,377,834)</u>
Business-type activities							
Water services	(606,066)	503,353	-	-	-	(102,713)	(102,713)
Sewer services	(1,183,141)	925,711	-	316,478	-	59,048	59,048
Total business-type activities	<u>(1,789,207)</u>	<u>1,429,064</u>	<u>-</u>	<u>316,478</u>	<u>-</u>	<u>(43,665)</u>	<u>(43,665)</u>
<b>Total Primary Government</b>	<u>\$ (3,579,500)</u>	<u>\$ 1,705,654</u>	<u>\$ 125,951</u>	<u>\$ 326,396</u>	<u>(1,377,834)</u>	<u>(43,665)</u>	<u>(1,421,499)</u>
<b>General Revenues</b>							
Taxes							
Property taxes, levied for general purposes					675,682	-	675,682
Income taxes					256,934	-	256,934
Other local taxes					28,520	-	28,520
County tax equity					366,372	-	366,372
Investment income					3,396	3,720	7,116
Rental income					33,007	4,800	37,807
Miscellaneous income					20,003	450	20,453
<b>Total General Revenues</b>					<u>1,383,914</u>	<u>8,970</u>	<u>1,392,884</u>
<b>Change in Net Position</b>					6,080	(34,695)	(28,615)
<b>Net Position - beginning of year</b>					<u>4,861,801</u>	<u>28,139,062</u>	<u>33,000,863</u>
<b>Net Position - end of year</b>					<u>\$ 4,867,881</u>	<u>\$ 28,104,367</u>	<u>\$ 32,972,248</u>

The accompanying notes are an integral part of this statement.

**TOWN OF EMMITSBURG, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,377,958	\$ 730,059	\$ 2,108,017
Receivables:			
Taxes	28,744	-	28,744
Customers	46,528	-	46,528
Other governments	16,939	-	16,939
Other	31,064	-	31,064
Prepaid items	5,265	-	5,265
<b>Total Assets</b>	<u><u>\$ 1,506,498</u></u>	<u><u>\$ 730,059</u></u>	<u><u>\$ 2,236,557</u></u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 102,667	-	\$ 102,667
Accrued liabilities	54,525	-	54,525
Total Liabilities	<u>157,192</u>	<u>-</u>	<u>157,192</u>
 Deferred Inflows of Resources	 <u>84,285</u>	 <u>36,134</u>	 <u>120,419</u>
 <b>Fund Balances</b>			
Nonspendable	5,265	-	5,265
Restricted	-	206,400	206,400
Committed	-	-	-
Assigned	-	487,525	487,525
Unassigned	1,259,756	-	1,259,756
Total Fund Balances	<u>1,265,021</u>	<u>693,925</u>	<u>1,958,946</u>
 <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	 <u><u>\$ 1,506,498</u></u>	 <u><u>\$ 730,059</u></u>	 <u><u>\$ 2,236,557</u></u>

The accompanying notes are an integral part of this statement.

**TOWN OF EMMITSBURG, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Local property taxes	\$ 675,682	\$ -	\$ 675,682
Local income taxes	256,934	-	256,934
Other local taxes	28,520	-	28,520
Licenses and permits	35,596	-	35,596
Intergovernmental revenues	492,992	9,918	502,910
Service charges	232,770	-	232,770
Fines and forfeitures	7,556	-	7,556
Miscellaneous	47,326	9,080	56,406
Total Revenues	<u>1,777,376</u>	<u>18,998</u>	<u>1,796,374</u>
<b>Expenditures</b>			
General government	588,989	26,526	615,515
Public safety	253,323	6,616	259,939
Public works	459,132	158,387	617,519
Recreation and culture	185,299	13,448	198,747
Debt service	48,214	-	48,214
Total Expenditures	<u>1,534,957</u>	<u>204,977</u>	<u>1,739,934</u>
Excess (Deficiency) of Revenues over Expenditures	242,419	(185,979)	56,440
<b>Other Financing Sources (Uses)</b>			
Operating transfers in (out)	<u>(127,859)</u>	<u>127,859</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(127,859)</u>	<u>127,859</u>	<u>-</u>
<b>Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>	114,560	(58,120)	56,440
Fund Balance July 1, 2015	<u>1,150,461</u>	<u>752,045</u>	
<b>Fund Balance June 30, 2016</b>	<u>\$ 1,265,021</u>	<u>\$ 693,925</u>	
<b>Adjustments for the Statement of Activities</b>			
Capital outlay			143,813
Depreciation expense			(189,450)
Compensated absences			15,156
Debt service expenditures			33,991
Net pension adjustment			<u>(53,870)</u>
Change in Net Position of Governmental Activities			<u>\$ 6,080</u>

The accompanying notes are an integral part of this statement.

**TOWN OF EMMITSBURG, MARYLAND**  
**RECONCILIATION OF FUND BALANCE TO NET POSITION OF**  
**GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2016**

Fund balances - governmental funds \$ 1,958,946

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, therefore are not reported in the funds

Property and equipment, net 3,576,622

Deferred outflows of resources - pension 70,724

Long-term receivable 44,842

Deferred inflows of resources - pension (28,457)

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds

Long-term debt (300,010)

Compensated absences (108,716)

Net pension liability (346,070)

Net position - governmental activities \$ 4,867,881

The accompanying notes are an integral part of this statement.

**TOWN OF EMMITSBURG, MARYLAND**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2016**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 526,540	\$ 3,301,113	\$ 3,827,653
Restricted cash	259,000	855,080	1,114,080
Due from customers	120,679	249,209	369,888
Prepaid expenses	-	13,190	13,190
Benefit assessments - current	3,200	-	3,200
Total Current Assets	<u>909,419</u>	<u>4,418,592</u>	<u>5,328,011</u>
Capital Assets			
Capital assets not being depreciated	2,648,995	248,669	2,897,664
Capital assets being depreciated	6,773,582	28,202,276	34,975,858
Accumulated depreciation	(2,542,524)	(5,232,401)	(7,774,925)
Capital Assets, Net	<u>6,880,053</u>	<u>23,218,544</u>	<u>30,098,597</u>
Benefit assessments - noncurrent	21,795	-	21,795
<b>Total Assets</b>	<u>7,811,267</u>	<u>27,637,136</u>	<u>35,448,403</u>
<b>Deferred Outflows of Resources</b>	<u>31,968</u>	<u>39,072</u>	<u>71,040</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>7,843,235</u>	<u>27,676,208</u>	<u>35,519,443</u>
<b>Liabilities</b>			
Current Liabilities			
Accounts payable	8,407	23,957	32,364
Accrued liabilities	30,115	81,347	111,462
Compensated absences	44,263	6,326	50,589
Benefit assessments - current	3,200	-	3,200
Debt obligations due within one year	135,679	365,584	501,263
Total Current Liabilities	<u>221,664</u>	<u>477,214</u>	<u>698,878</u>
Noncurrent Liabilities			
Benefit assessments - noncurrent	38,495	-	38,495
Net pension liability	112,771	137,831	250,602
Debt obligations due in more than one year	980,117	5,393,053	6,373,170
Total Noncurrent Liabilities	<u>1,131,383</u>	<u>5,530,884</u>	<u>6,662,267</u>
<b>Total Liabilities</b>	<u>1,353,047</u>	<u>6,008,098</u>	<u>7,361,145</u>
<b>Deferred Inflows of Resources</b>	<u>42,597</u>	<u>11,334</u>	<u>53,931</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>1,395,644</u>	<u>6,019,432</u>	<u>7,415,076</u>
<b>Net Position</b>			
Net investment in capital assets	5,764,257	17,459,907	23,224,164
Restricted - expendable maintenance & improvements	259,000	855,080	1,114,080
Unrestricted	424,334	3,341,789	3,766,123
<b>Total Net Position</b>	<u>\$ 6,447,591</u>	<u>\$ 21,656,776</u>	<u>\$ 28,104,367</u>

The accompanying notes are an integral part of this statement.

**TOWN OF EMMITSBURG, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Operating Revenues			
Charges for services	\$ 490,872	\$ 925,471	\$ 1,416,343
Miscellaneous charges	12,481	240	12,721
Total Operating Revenues	<u>503,353</u>	<u>925,711</u>	<u>1,429,064</u>
Operating Expenses			
Personnel services	236,997	239,582	476,579
Operating	182,306	299,358	481,664
Depreciation	151,772	486,492	638,264
Total Operating Expenses	<u>571,075</u>	<u>1,025,432</u>	<u>1,596,507</u>
Operating Loss	(67,722)	(99,721)	(167,443)
Non-operating Revenues (Expenses)			
Investment income	1,710	2,010	3,720
Rental income	4,800	-	4,800
Other income	-	450	450
Interest expense	(34,991)	(157,709)	(192,700)
Total Non-operating Revenues (Expenses)	<u>(28,481)</u>	<u>(155,249)</u>	<u>(183,730)</u>
Net Loss before Capital Grants	<u>(96,203)</u>	<u>(254,970)</u>	<u>(351,173)</u>
Capital grants	<u>-</u>	<u>316,478</u>	<u>316,478</u>
Change in Net Position	(96,203)	61,508	(34,695)
Total Net Position, beginning of year	<u>6,543,794</u>	<u>21,595,268</u>	<u>28,139,062</u>
<b>Total Net Position, end of year</b>	<b><u>\$ 6,447,591</u></b>	<b><u>\$ 21,656,776</u></b>	<b><u>\$ 28,104,367</u></b>

The accompanying notes are an integral part of this statement.

**TOWN OF EMMITSBURG, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Cash flows from operating activities			
Cash receipts from customers	\$ 535,564	\$ 967,887	\$ 1,503,451
Cash payments to suppliers of goods and services	(179,946)	(308,723)	(488,669)
Cash payments to employees for services	(215,373)	(235,521)	(450,894)
Net cash provided by operating activities	<u>140,245</u>	<u>423,643</u>	<u>563,888</u>
Cash flows from non-operating activities			
Rental income	4,800	-	4,800
Other income	-	450	450
Net cash provided by non-operating activities	<u>4,800</u>	<u>450</u>	<u>5,250</u>
Cash flows from capital and related financing activities			
Construction of capital assets - current year	-	(853,428)	(853,428)
Capital contributions and grants	-	1,404,646	1,404,646
Proceeds on bond and loans payable	-	73,181	73,181
Principal paid on bond and loans payable	(120,230)	(175,410)	(295,640)
Interest paid on capital debt	(28,274)	(158,734)	(187,008)
Net cash provided by (used in) capital and related financing activities	<u>(148,504)</u>	<u>290,255</u>	<u>141,751</u>
Cash flows from investing activities			
Investment income	<u>1,710</u>	<u>2,010</u>	<u>3,720</u>
Net cash provided by investing activities	<u>1,710</u>	<u>2,010</u>	<u>3,720</u>
Net increase (decrease) in cash and cash equivalents	(1,749)	716,358	714,609
Cash and cash equivalents - beginning of year	<u>787,289</u>	<u>3,439,835</u>	<u>4,227,124</u>
Cash and cash equivalents - end of year	<u>\$ 785,540</u>	<u>\$ 4,156,193</u>	<u>\$ 4,941,733</u>
Cash and cash equivalents:			
Unrestricted	\$ 526,540	\$ 3,301,113	\$ 3,827,653
Restricted	<u>259,000</u>	<u>855,080</u>	<u>1,114,080</u>
	<u>\$ 785,540</u>	<u>\$ 4,156,193</u>	<u>\$ 4,941,733</u>

The accompanying notes are an integral part of this statement.

**TOWN OF EMMITSBURG, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Reconciliation of operating income to			
Net cash provided by operating activities			
Operating income	\$ (67,722)	\$ (99,721)	\$ (167,443)
Depreciation	151,772	486,492	638,264
Net changes in assets and liabilities:			
Due from customers	26,062	39,155	65,217
Other receivables	6,149	19,049	25,198
Prepaid expenses	-	(13,190)	(13,190)
Deferred outflows of resources	(19,303)	(23,593)	(42,896)
Accounts payable	2,360	(15,224)	(12,864)
Accrued liabilities	11,362	14,383	25,745
Compensated absences	1,629	(17,852)	(16,223)
Net pension liability	27,948	34,158	62,106
Deferred inflows of resources	(12)	(14)	(26)
Net cash provided by operating activities	<u>\$ 140,245</u>	<u>\$ 423,643</u>	<u>\$ 563,888</u>

The accompanying notes are an integral part of this statement.

# **TOWN OF EMMITSBURG, MARYLAND**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Reporting Entity**

The Town of Emmitsburg was incorporated in 1825 and is currently organized under the provisions of a commission form of government. The financial statements of The Town of Emmitsburg, Maryland (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board Codification Section 2100 have been considered and there are no agencies or entities which should be presented with the Town.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town follows GASB 62 in applying GASB guidance to its proprietary activities, which incorporates Financial Accounting Standards Board statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

#### **Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The statement of net position and the statement of activities display information about the Town as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Town.

# TOWN OF EMMITSBURG, MARYLAND

## NOTES TO THE FINANCIAL STATEMENTS

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and managerial requirements.

The following is a brief description of the specific funds used by the Town for the year ended June 30, 2016:

#### **Governmental Fund Types**

General Fund – This fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund accounts for the normal recurring activities of the Town, (i.e., public safety, parks and recreation, public works and general government activities, etc.). These activities are funded principally by property and income taxes on individuals and businesses, and grants from other governmental units.

Capital Projects Fund – This fund accounts for the purchase, construction or renovation of major general fixed assets over an extended period of time (other than those financed by the Proprietary Funds). While capital outlay accounts are used in each function reported in the General Fund, longer-term projects, those with mixed funding or projects of a larger amount or spanning several fiscal years, are accounted for in this fund.

#### **Proprietary Fund Types**

Enterprise Funds – The Water and Sewer Funds account for the activity of the Town's sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental fund.

Net position is reported as restricted when constraints placed on net position use are externally imposed by grantors or contributors.

# **TOWN OF EMMITSBURG, MARYLAND**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when cash is received and when amounts to be received are both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues as available if they are collected within 60 days after year-end.

Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **Budgets and Budgetary Accounting**

The budget document is a comprehensive financial plan showing all revenues and expenditures expected for the fiscal year.

The Town follows these procedures in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to May 30<sup>th</sup>, the Mayor requests the Town Manager and Town Clerk meet with the Board of Commissioners and then prepare their proposed operating budgets for the fiscal year commencing the following July 1.
2. All budget requests are compiled by the Town Manager and Town Clerk and presented to the Mayor for review together with comparative and supporting data.
3. Public hearings are advertised and conducted at the Town Hall for taxpayer comments.
4. Prior to May 30<sup>th</sup>, the Mayor formally presents the budget message to the Board of Commissioners.
5. Prior to June 30<sup>th</sup>, the budget is legally enacted through the passage of an ordinance.
6. Appropriations lapse at the end of the fiscal year.

# TOWN OF EMMITSBURG, MARYLAND

## NOTES TO THE FINANCIAL STATEMENTS

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. During the operating year, the Board of Commissioners must approve inter-departmental budget transfers at a regularly scheduled public meeting.

#### Cash, Cash Equivalents, and Investments

For purposes of the statement of cash flows, the Town considers cash on hand, demand deposits, and all highly liquid investments and debt instruments with maturities of six months or less from the date of acquisition to be cash and cash equivalents. Generally, cash resources of the individual funds are combined to form a pool. Investment income earned as a result of pooling is distributed to the appropriate funds based on the average balance of cash and investments of each fund.

#### Receivables and Doubtful Accounts

Significant receivables include amounts due from customers primarily for property taxes and utility services. These receivables are due within one year. For the year ended June 30, 2016, the Town has an allowance for doubtful property taxes of \$3,594 reported in the general fund.

#### Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid expenses. In governmental funds, reported prepaid expenses are equally offset by non-spendable fund balance amounts, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

#### Capital Assets

Capital assets are reported in the governmental or business-type activities column in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets purchased or acquired are recorded at cost or, if donated, at the estimated fair market value upon receipt. Depreciation of property and equipment is computed on the straight-line method for financial reporting purposes. Depreciation is provided for over the estimated useful lives of the assets.

Buildings	20 – 50 years
Land improvements	10 – 20 years
Infrastructure	20 – 50 years
Machinery and equipment	5 – 15 years

#### Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the statement of net position. Short-term interfund loans are classified as "interfund receivables/payables."

# TOWN OF EMMITSBURG, MARYLAND

## NOTES TO THE FINANCIAL STATEMENTS

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Compensated Absences**

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are entitled to receive payment for all unused vacation hours and half-time pay for accrued and unused sick and personal hours upon termination. Accumulated vacation, sick, and personal leave is accrued when incurred in the government-wide and proprietary fund financial statements.

#### **Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that period.

#### **Commitments and Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although it is believed by management that such disallowances will be immaterial.

#### **Interfund Transactions**

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

#### **Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Restricted net position represents external restrictions by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law or enabling legislation.

# TOWN OF EMMITSBURG, MARYLAND

## NOTES TO THE FINANCIAL STATEMENTS

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fund Balance

The Town has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, for its governmental funds. Under GASB Statement No. 54, fund balances are required to be reported according to the following classifications:

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance – Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the Town's highest level of decision-making authority, the Mayor and Board of Commissioners.

Assigned fund balance – Amounts that are constrained by the Town's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Board of Commissioners, or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

#### Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

# TOWN OF EMMITSBURG, MARYLAND

## NOTES TO THE FINANCIAL STATEMENTS

### (2) DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments exists when, in the event of the failure of the counterparty to a transaction, a government may be unable to recover the value of investment or collateral securities that are in the possession of an outside party. As of year-end, the Town's carrying amount of deposits was \$4,324,202, the bank balance was \$4,355,473, and cash on hand was \$450.

The Town maintains deposits at one financial institution. At June 30, 2016, the Town was fully covered by the Federal Deposit Insurance Corporation and pledged collateral.

Included in cash and cash equivalents, the Town had \$2,725,548 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2016.

The Town's cash and investments as of June 30, 2016, reconciled to the total presented in the Statement of Net Position, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents:			
Unrestricted	\$ 2,108,017	\$ 3,827,653	\$ 5,935,670
Restricted	-	1,114,080	1,114,080
	<u>\$ 2,108,017</u>	<u>\$ 4,941,733</u>	<u>\$ 7,049,750</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash on hand	\$ 450	\$ -	\$ 450
Deposits in bank	1,606,131	2,717,621	4,323,752
Investment pools (MLGIP)	<u>501,436</u>	<u>2,224,112</u>	<u>2,725,548</u>
	<u>\$ 2,108,017</u>	<u>\$ 4,941,733</u>	<u>\$ 7,049,750</u>

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy is not explicit as to how interest rate risk is managed. The interest rate in the MLGIP fluctuates throughout the year. The applicable interest rate at June 30, 2016 was 0.37 %.

# TOWN OF EMMITSBURG, MARYLAND

## NOTES TO THE FINANCIAL STATEMENTS

### (2) DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

#### Credit Risk

Credit risk is defined as the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation.

The Town shall invest only in the following types of securities, which are authorized by the State:

- Obligations of U.S. governmental agencies
- Fully insured or collateralized certificates of deposit
- Repurchase agreements and reverse repurchase agreements not to exceed 360 days to stated maturity
- Bankers acceptances with the highest quality letter and numerical rating
- Municipal securities with the highest quality letter and numerical rating
- Money market mutual funds containing securities of U.S. governmental agencies
- Local Government Investment Pool administered by the State Treasurer

The Town's investments have received the following ratings by Standard & Poor's: Maryland Local Government Investment Pool (MLGIP) rated AAAm.

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer, not applicable to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, and external investment pools or other pooled investments.

### (3) PROPERTY TAXES

The Town's property taxes are levied each July 1 at rates enacted by the Board of Commissioners on the total assessed value as determined by the Maryland State Department of Assessments and Taxation.

Property taxes become delinquent on October 1. Interest accrues at 1% monthly for delinquent property taxes. Tax liens on real property are sold at public auction the second Monday in May on taxes delinquent since October 1 of the current fiscal year. Total assessable base on which levies were made for the year ended June 30, 2016 was \$172,134,571 and the property tax rate was \$0.36 per \$100 of assessed value.

# TOWN OF EMMITSBURG, MARYLAND

## NOTES TO THE FINANCIAL STATEMENTS

### (4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

<u>Governmental Activities:</u>	<u>Balance July 1, 2015</u>	<u>Transfers / Additions</u>	<u>Transfers / Dispositions</u>	<u>Balance June 30, 2016</u>
Capital assets, not depreciated				
Land	\$ 1,164,089	\$ -	\$ -	\$ 1,164,089
Historical Collections	-	36,750	-	36,750
Construction in progress	93,908	143,813	(175,459)	62,262
Total capital assets, not depreciated	<u>1,257,997</u>	<u>180,563</u>	<u>(175,459)</u>	<u>1,263,101</u>
Capital assets, depreciated				
Buildings	716,251	19,800	-	736,051
Improvements	669,952	-	-	669,952
Infrastructure	4,489,289	45,996	-	4,535,285
Machinery and equipment	556,812	72,913	-	629,725
Total capital assets, depreciated	<u>6,432,304</u>	<u>138,709</u>	<u>-</u>	<u>6,571,013</u>
Accumulated depreciation	<u>(4,068,042)</u>	<u>(189,450)</u>	<u>-</u>	<u>(4,257,492)</u>
Governmental activities - Capital assets, net	<u>\$ 3,622,259</u>	<u>\$ 129,822</u>	<u>\$ (175,459)</u>	<u>\$ 3,576,622</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities</b>	
General government	\$ 25,243
Public works – streets	128,721
Parks and recreation	<u>35,486</u>
Total depreciation expense	<u>\$ 189,450</u>

# TOWN OF EMMITSBURG, MARYLAND

## NOTES TO THE FINANCIAL STATEMENTS

### (4) CAPITAL ASSETS (CONTINUED)

<b>Business-type Activities:</b>	<b>Balance July 1, 2015</b>	<b>Transfers / Additions</b>	<b>Transfers / Dispositions</b>	<b>Balance June 30, 2016</b>
Capital assets, not depreciated				
Land and land improvements	\$ 2,669,550	\$ -	\$ -	\$ 2,669,550
Construction in progress	17,770,420	-	(17,542,306)	228,114
Total capital assets, not depreciated	<u>20,439,970</u>	<u>-</u>	<u>(17,542,306)</u>	<u>2,897,664</u>
Capital assets, depreciated				
Buildings and improvements	6,876,073	-	-	6,876,073
Infrastructure	10,144,153	17,770,384	-	27,914,537
Machinery and equipment	183,748	7,300	(5,800)	185,248
Total capital assets, depreciated	<u>17,203,974</u>	<u>17,777,684</u>	<u>(5,800)</u>	<u>34,975,858</u>
Accumulated depreciation	<u>(7,142,460)</u>	<u>(638,265)</u>	<u>5,800</u>	<u>(7,774,925)</u>
Business-type activities - Capital assets, net	<u>\$ 30,501,484</u>	<u>\$ 17,139,419</u>	<u>\$ (17,542,306)</u>	<u>\$ 30,098,597</u>

Depreciation expense was charged to functions/programs as follows:

<b>Business-type activities</b>	
Water	\$151,772
Sewer	<u>486,492</u>
Total depreciation expense	<u>\$638,264</u>

### (5) UNEARNED REVENUE

Unearned revenue arises in governmental funds when revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenue also arises, in both governmental and proprietary funds, when resources are received by the government before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

**TOWN OF EMMITSBURG, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**

**(6) DEBT OBLIGATIONS**

Debt outstanding at June 30, 2016 is as follows:

Purpose	Rate	Amount
Wastewater Plant Improvement Bonds of 1988; Community Development Administration; Due 2018; Annual principal varies plus interest.	4.75%	\$ 139,000
Infrastructure Financing Bonds 2001 Series A; Maryland Department of Housing and Community Development; Due 2021; Annual principal and interest of approximately \$15,200.	4.50%	67,200
Drinking Water State Revolving Fund; Maryland Water Quality Financing Administration; Due 2020; Annual principal and interest of approximately \$45,500.	1.20%	170,637
Drinking Water State Revolving Fund; Maryland Water Quality Financing Administration; Due 2024; Annual principal and interest of approximately \$23,200.	1.20%	167,856
Drinking Water State Revolving Fund; Maryland Water Quality Financing Administration; Due 2021; Annual principal and interest of approximately \$53,700.	2.40%	238,585
Drinking Water State Revolving Fund; Maryland Water Quality Financing Administration; Due 2026; Annual principal and interest of approximately \$26,579.	1.10%	238,400
General Obligation Bond, Series 2009; Due 2029; Semi-annual interest payments with principal amounts due annually.	2.48%	470,955
Woodsboro Bank loan; Due 2021; Monthly principal and interest of approximately \$1,504.	4.00%	205,010
General Obligation Bond (USDA), Series 2014; Financing for WWTP, principal - \$5,419,000, due 2055; Quarterly principal and interest of \$52,565.	2.38%	5,293,127
General Obligation Bond Anticipation Note (PNC interim financing), Series 2015; Financing for WWTP, principal - \$1,001,000, due 2055; beginning February 4, 2015.	1.91%	<u>183,673</u>
Total Debt Obligations		<u>\$ 7,174,443</u>

# TOWN OF EMMITSBURG, MARYLAND

## NOTES TO THE FINANCIAL STATEMENTS

### (6) DEBT OBLIGATIONS (CONTINUED)

#### Changes in Non-Current Liabilities

During the year ended June 30, 2016, the following changes in long-term obligations occurred:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Due within one year</u>
1988 CDA	\$ 201,000	\$ -	\$ (62,000)	\$ 139,000	\$ 67,000
2000 MDE	283,000	-	(44,415)	238,585	45,481
2001 CDA	78,500	-	(11,300)	67,200	12,100
2004 MDE	187,734	-	(19,878)	167,856	20,116
2004 MDE	212,040	-	(41,403)	170,637	41,899
2007 MDE	260,837	-	(22,437)	238,400	22,684
Woodsboro Bank	215,301	-	(10,291)	205,010	8,288
2009 General Obligation Bond	504,455	-	(33,500)	470,955	47,398
2014 USDA GO Bonds	5,377,534	-	(84,407)	5,293,127	86,412
2015 PNC Interim Financing	110,491	73,182	-	183,673	183,673
Total	<u>\$ 7,430,892</u>	<u>\$ 73,182</u>	<u>\$ (329,631)</u>	<u>\$ 7,174,443</u>	<u>\$ 535,051</u>

At June 30, 2016, the debt obligations are recorded as follows:

Governmental activities:	\$ 300,010
Business-type activities:	
Water Fund	1,115,796
Sewer Fund	<u>5,758,637</u>
Total long-term debt obligations	<u>\$ 7,174,443</u>

The Maryland Community Development Administration (CDA) issued its 1998 Series B and C Bonds to refund six series of Infrastructure Financing Bonds from 1988 through 1992. The Town's Wastewater Plant Improvement Bonds of 1988 were refunded in this transaction. The maturity of the loan and the principal payments will remain the same as the original issue. The interest rate was reduced to 4.75% and will result in significant savings for the Town until the maturity date in 2018.

#### Interest expense

For the year ended June 30, 2016 total interest costs were \$206,923 and reported as follows: interest expense of \$14,223 for governmental activities and \$192,700 for business-type activities. Cash paid for interest for business-type activities was \$187,008.

# TOWN OF EMMITSBURG, MARYLAND

## NOTES TO THE FINANCIAL STATEMENTS

### (6) DEBT OBLIGATIONS (CONTINUED)

Debt service requirements are as follows:

	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2017	\$ 535,051	\$ 174,339	\$ 709,390
2018	365,047	167,787	532,834
2019	300,103	155,613	455,716
2020	307,433	148,313	455,746
2021	270,992	139,272	410,264
2022-2026	1,065,258	570,912	1,636,170
2027-2031	572,940	478,360	1,051,300
2032-2036	644,286	407,014	1,051,300
2037-2041	724,516	326,784	1,051,300
2042-2046	814,737	236,563	1,051,300
2047-2051	916,193	135,107	1,051,300
2052-2056	657,887	27,503	685,390

#### Conduit Debt

In fiscal year 2008, the Town approved the issuance of Maryland Economic Development Bonds, not to exceed \$10 million, to provide financial assistance to Mount Saint Mary's University for renovations and improvements to the University.

In fiscal year 2009, the Town approved the issuance of Maryland Economic Development Bonds, not to exceed \$10 million, to provide financial assistance to Mount Saint Mary's University for renovations and improvements to the University.

In December 2009, the Town issued \$1,250,000 of Town of Emmitsburg Educational Facilities Revenue Bonds, Series 2009, for the purpose of lending the proceeds to Mount Saint Mary's University to finance the renovation and improvements to the Terrace Student Housing Complex. The project is being funded by donor contributions and the Series 2009 Bond proceeds will bridge the time between costs of the projects and payments received from pledges.

As of June 30, 2016, the conduit debt obligations outstanding were \$17,924,345 and \$1,250,000 respectively.

The Town is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

# TOWN OF EMMITSBURG, MARYLAND

## NOTES TO THE FINANCIAL STATEMENTS

### (7) EMPLOYEE BENEFITS

Cost-sharing Multiple Employer Pension Plan:

#### Plan Description

Effective July 1, 2006, all full-time employees of the Town are provided retirement benefits through the Maryland State Retirement and Pension's contributory pension system ("Pension System"). The Pension System is a defined-benefit plan and multiple employer system. The plan involves state-wide participation of employees from numerous other state and local governmental units. The system is administered by the Maryland State Retirement Agency pursuant to the Annotated Code of Maryland.

Under the Pension System, members may retire after 30 years of service or the attainment of age 62 with five years of service, age 63 with four years of service, age 64 with three years of service or age 65 or over and two years of service.

The State Retirement and Pension System of Maryland does not prepare or maintain separate actuarial reports for the participating governmental units. The Maryland State Retirement and Pension System issues a comprehensive annual financial report. The report can be obtained from the agency's offices at:

Maryland State Retirement and Pension Systems  
120 East Baltimore Street  
Baltimore, Maryland 21202

#### Funding policy

Obligations to contribute to the plans were established under Titles 22 and 23 of the State Personnel and Pensions Article of the Maryland Code. Members of the Pension System contribute 2% of their gross employee compensation. The total contributions from the employees were as follows for the fiscal years ended June 30:

2012	\$ 13,505
2013	13,388
2014	14,087
2015	14,521
2016	14,544

The Town contributed the following payments to the System, which were equal to 100% of the required contributions for the years ended June 30:

2012	\$ 61,513
2013	51,651
2014	59,732
2015	60,516
2016	54,470

# TOWN OF EMMITSBURG, MARYLAND

## NOTES TO THE FINANCIAL STATEMENTS

### (7) EMPLOYEE BENEFITS (CONTINUED)

#### Key actuarial methods and assumptions:

Actuarial	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Inflation	2.95% general, 3.45% wage
Salary increases	3.20% to 8.95% including inflation
Discount rate	7.55%
Investment rate of return	7.55%
Mortality	RP-2014 Mortality tables
Actuarial valuation date	June 30, 2015

#### Discount rate

A single discount rate of 7.55% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Sensitivity of the net pension liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.55%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

System	1% Decrease to 6.55%	Current Discount	1% Increase to 8.55%
Employees Pension	\$ 814,753	\$ 596,672	\$ 414,610

**TOWN OF EMMITSBURG, MARYLAND**

**NOTES TO THE FINANCIAL STATEMENTS**

**(7) EMPLOYEE BENEFITS (CONTINUED)**

Deferred compensation plan

The Town offers a deferred compensation plan administered by the International Town/County Management Associates (ICMA) Retirement Corporation to all full-time employees under the provisions of Internal Revenue Code Section 457. Under the terms of a 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by ICMA are held in trust for the exclusive benefit of the participants and their beneficiaries, and accordingly, are not included in the Town's financial statements.

**(8) GRANTS FROM GOVERNMENTAL UNITS**

Federal and state governmental units represent an important source of supplementary funding used to finance construction, maintenance, employment programs, and other activities beneficial to the community. The grants received by the Town specify the purpose for which the grant funds are to be used, and such grants are subject to audit by the granting agency or its representative if Federal expenditures for the fiscal year exceed \$750,000. The Town's federal grant expenditures were more than \$750,000; therefore, they are not subject to the Single Audit Act for fiscal year 2016.

**(9) DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

For the year ended June 30, 2016, the Town reported deferred outflows and inflows of resources related to the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>          </u>	<u>          </u>
Changes of pension assumptions	\$ 87,294	\$ -
Net difference between projected and actual earnings on pension plan investments	-	49,062
Town's contributions subsequent to the measurement date	<u>54,470</u>	<u>-</u>
	<u>\$ 141,764</u>	<u>\$ 49,062</u>
Other deferred inflows:		
Property taxes - subsequent year		10,626
Unavailable revenues		<u>143,119</u>
		<u>\$ 202,807</u>

# TOWN OF EMMITSBURG, MARYLAND

## NOTES TO THE FINANCIAL STATEMENTS

### (9) DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources of \$54,470 related to pensions resulting from the Town's contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2017	\$ 6,105
2018	6,105
2019	6,105
2020	16,763
2021	<u>3,154</u>
	<u>\$ 38,232</u>

### (10) RESTRICTED NET POSITION

The Town has instituted through a local ordinance a surcharge on water and sewer connections for the purpose of funding necessary repairs and maintenance and improvements to the Town's Water and Sewer system. In addition, the Mayor and Commissioners set-aside funds for specific projects. As of June 30, 2016, the total amount restricted is as follows:

Surcharges for improvements – Water Fund	<u>\$ 259,000</u>
Surcharges for improvements – Sewer Fund	\$ 745,500
Lagoon improvements	80,000
Other building improvements	<u>29,580</u>
	<u>\$ 855,080</u>

Net position restricted by enabling legislation represents accumulated net position attributed to revenue sources, such as taxes or fees, which are restricted for specific purposes. All new residential dwelling units are assessed a one-time fee of \$1,200 per residential dwelling unit. This impact fee is to be utilized for the acquisition, development, and rehabilitation of municipal roads, sidewalks, streets, lights, and corresponding electric service, park and recreational areas. Impact fees collected are recorded in the Capital Projects Fund. A portion of the impact fees collected is to be committed to the upgrade of the local emergency warning system and is included in restricted net position in the government-wide statement of net position.

Impact fees – not committed	\$ 188,000
Committed for emergency warning system	<u>18,400</u>
	<u>\$ 206,400</u>

# **TOWN OF EMMITSBURG, MARYLAND**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(11) RISK MANAGEMENT**

The Town 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 Town's general liability risks are financed through the Town's participation in the Maryland Local Government Insurance Trust (MLGIT). The Town pays an annual premium to MLGIT for its general insurance coverage. The Town has coverage of \$1,000,000 for each occurrence. The annual aggregate limit is \$2,000,000 and is the most the Trust will pay under the Town's agreement. The Town continues to carry commercial insurance for employee health and accident insurance and workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage, and no significant reductions in insurance coverage have occurred, in any of the past three fiscal years.

### **(12) SUBSEQUENT EVENTS**

Subsequent events are defined as events or transactions that occur after the Statement of Net Position date through the date that the financial statements are available to be issued. The Town performed an evaluation as of October 28, 2016, the date the financial statements were available to be issued. In October 2016, the Town renewed its loan with Woodsboro Bank for another five-year term. The loan now matures in October 2021, as reflected in footnote 6 above.

**TOWN OF EMMITSBURG, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL**  
**GENERAL FUND**

<b>For the year ended June 30, 2016</b>	<b>Original Budget</b>	<b>Final Appropriated Budget</b>	<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>Local property taxes</b>				
Real property	\$ 610,768	\$ 610,768	\$ 616,614	\$ 5,846
Personal property	44,000	44,000	61,337	17,337
Penalties and interest	6,400	6,400	5,724	(676)
Less discounts	<u>(7,800)</u>	<u>(7,800)</u>	<u>(7,993)</u>	<u>(193)</u>
Net local property taxes	<u>653,368</u>	<u>653,368</u>	<u>675,682</u>	<u>22,314</u>
<b>Local income taxes</b>	<u>205,000</u>	<u>256,934</u>	<u>256,934</u>	<u>-</u>
<b>Other local taxes</b>				
Admissions and amusement taxes	5,000	5,000	3,125	(1,875)
Public utility taxes	<u>26,000</u>	<u>26,000</u>	<u>25,395</u>	<u>(605)</u>
Total other local taxes	<u>31,000</u>	<u>31,000</u>	<u>28,520</u>	<u>(2,480)</u>
<b>Licenses and permits</b>				
Trader's licenses	3,800	3,800	4,585	785
Cable franchise fees	<u>30,000</u>	<u>30,000</u>	<u>31,011</u>	<u>1,011</u>
Total licenses and permits	<u>33,800</u>	<u>33,800</u>	<u>35,596</u>	<u>1,796</u>
<b>Intergovernmental revenues</b>				
State Aid for Police Protection	16,000	16,000	16,167	167
County - tax equity	366,372	366,372	367,041	669
Highway user revenues	25,262	25,262	25,969	707
Other	<u>34,980</u>	<u>59,496</u>	<u>83,815</u>	<u>24,319</u>
Total intergovernmental revenues	<u>442,614</u>	<u>467,130</u>	<u>492,992</u>	<u>25,862</u>
<b>Service charges</b>				
Garbage and tipping fees	189,500	189,500	193,659	4,159
Zoning permits	3,600	3,600	4,068	468
Parking meter receipts	15,800	15,800	15,476	(324)
Swimming pool	<u>21,600</u>	<u>21,600</u>	<u>19,567</u>	<u>(2,033)</u>
Total service charges	<u>230,500</u>	<u>230,500</u>	<u>232,770</u>	<u>2,270</u>

The accompanying notes are an integral part of this statement.

**TOWN OF EMMITSBURG, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL**  
**GENERAL FUND**

<b>For the year ended June 30, 2016</b>	<b>Original Budget</b>	<b>Final Appropriated Budget</b>	<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>Fines and forfeitures</b>				
Parking fines	\$ 6,800	\$ 6,800	\$ 7,556	\$ 756
<b>Miscellaneous revenues</b>				
Interest income	1,000	1,000	3,396	2,396
Rental income	22,327	22,327	23,927	1,600
Other	1,300	1,300	20,003	18,703
Total miscellaneous revenues	<u>24,627</u>	<u>24,627</u>	<u>47,326</u>	<u>22,699</u>
<b>Total revenues</b>	<b><u>\$ 1,627,709</u></b>	<b><u>\$ 1,704,159</u></b>	<b><u>\$ 1,777,376</u></b>	<b><u>\$ 73,217</u></b>
<b>General Government</b>				
<b>Legislative</b>				
Salaries	\$ 69,026	\$ 69,026	\$ 63,908	\$ 5,118
Fringe benefits	4,316	4,316	3,352	964
Total salaries and fringe benefits	<u>73,342</u>	<u>73,342</u>	<u>67,260</u>	<u>6,082</u>
<b>Operations</b>				
Other operating	44,030	45,986	47,262	(1,276)
Total operations	<u>44,030</u>	<u>45,986</u>	<u>47,262</u>	<u>(1,276)</u>
Capital Outlay	1,500	1,500	2,323	(823)
<b>Total Legislative</b>	<u>118,872</u>	<u>120,828</u>	<u>116,845</u>	<u>3,983</u>
<b>Legal</b>	<u>6,700</u>	<u>14,691</u>	<u>14,691</u>	<u>-</u>
<b>Planning and Zoning</b>				
Salaries	112,859	121,748	121,748	-
Fringe benefits	26,013	26,013	26,259	(246)
Total salaries and fringe benefits	<u>138,872</u>	<u>147,761</u>	<u>148,007</u>	<u>(246)</u>
<b>Operations</b>				
Other operating	12,550	18,291	18,291	-
Total operations	<u>12,550</u>	<u>18,291</u>	<u>18,291</u>	<u>-</u>
Capital outlay	2,000	2,000	1,887	113
<b>Total Planning and Zoning</b>	<u>153,422</u>	<u>168,052</u>	<u>168,185</u>	<u>(133)</u>

The accompanying notes are an integral part of this statement.

**TOWN OF EMMITSBURG, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL**  
**GENERAL FUND**

<b>For the year ended June 30, 2016</b>	<b>Original Budget</b>	<b>Final Appropriated Budget</b>	<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>Financial Administration</b>				
Salaries	\$ 65,678	\$ 72,588	\$ 72,588	\$ -
Fringe benefits	<u>47,972</u>	<u>47,972</u>	<u>48,274</u>	<u>(302)</u>
Total salaries and fringe benefits	<u>113,650</u>	<u>120,560</u>	<u>120,862</u>	<u>(302)</u>
<b>Operations</b>				
Other operating	22,150	22,150	16,757	5,393
Accounting and auditing	<u>16,000</u>	<u>16,000</u>	<u>16,855</u>	<u>(855)</u>
Total operations	<u>38,150</u>	<u>38,150</u>	<u>33,612</u>	<u>4,538</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Financial Administration</b>	<u>151,800</u>	<u>158,710</u>	<u>154,474</u>	<u>4,236</u>
<b>General Services</b>				
Salaries	44,490	50,011	50,011	-
Fringe benefits	<u>25,147</u>	<u>25,147</u>	<u>22,161</u>	<u>2,986</u>
Total salaries and fringe benefits	<u>69,637</u>	<u>75,158</u>	<u>72,172</u>	<u>2,986</u>
<b>Operations</b>				
Other operating costs	<u>47,696</u>	<u>62,622</u>	<u>62,622</u>	<u>-</u>
Total operations	<u>47,696</u>	<u>62,622</u>	<u>62,622</u>	<u>-</u>
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<b>Total General Services</b>	<u>118,333</u>	<u>138,780</u>	<u>134,794</u>	<u>3,986</u>
<b>Total General Government</b>	<u>\$ 549,127</u>	<u>\$ 601,061</u>	<u>\$ 588,989</u>	<u>\$ 12,072</u>
<b>Public Safety</b>				
<b>Police, ambulance and fire services</b>				
Police protection	\$ 247,300	\$ 247,300	\$ 239,231	\$ 8,069
Other public safety expenses	6,495	6,495	8,092	(1,597)
Fire and rescue donations	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Total operations	<u>259,795</u>	<u>259,795</u>	<u>253,323</u>	<u>6,472</u>
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<b>Total Public Safety</b>	<u>\$ 260,795</u>	<u>\$ 260,795</u>	<u>\$ 253,323</u>	<u>\$ 7,472</u>

The accompanying notes are an integral part of this statement.

**TOWN OF EMMITSBURG, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL**  
**GENERAL FUND**

For the year ended June 30, 2016	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>Public Works</b>				
Highways and Streets				
Salaries	\$ 145,191	\$ 145,191	\$ 129,904	\$ 15,287
Fringe benefits	60,072	60,072	63,353	(3,281)
Total salaries and fringe benefits	<u>205,263</u>	<u>205,263</u>	<u>193,257</u>	<u>12,006</u>
Operations				
Other operating	112,353	136,869	136,869	-
Total operations	<u>112,353</u>	<u>136,869</u>	<u>136,869</u>	<u>-</u>
Capital outlay	500	500	1,200	(700)
Total Highways and Streets	<u>318,116</u>	<u>342,632</u>	<u>331,326</u>	<u>11,307</u>
Refuse				
Salaries	2,700	2,700	2,769	(69)
Total salaries	<u>2,700</u>	<u>2,700</u>	<u>2,769</u>	<u>(69)</u>
Operations				
Other operating	129,900	129,900	125,037	4,863
Total operations	<u>129,900</u>	<u>129,900</u>	<u>125,037</u>	<u>4,863</u>
Total Refuse	<u>132,600</u>	<u>132,600</u>	<u>127,806</u>	<u>4,794</u>
<b>Total Public Works</b>	<b><u>\$ 450,716</u></b>	<b><u>\$ 475,232</u></b>	<b><u>\$ 459,132</u></b>	<b><u>\$ 16,100</u></b>
<b>Recreation and Culture</b>				
Park and swimming pool				
Salaries	\$ 63,578	\$ 63,578	\$ 60,551	\$ 3,027
Fringe benefits	26,623	26,623	26,522	101
Total salaries and fringe benefits	<u>90,201</u>	<u>90,201</u>	<u>87,073</u>	<u>3,128</u>
Operations				
Other operating	94,296	94,296	94,939	(643)
Total operations	<u>94,296</u>	<u>94,296</u>	<u>94,939</u>	<u>(643)</u>
Capital Outlay	6,500	6,500	3,287	3,213
<b>Total Recreation and Culture</b>	<b><u>\$ 190,997</u></b>	<b><u>\$ 190,997</u></b>	<b><u>\$ 185,299</u></b>	<b><u>\$ 5,698</u></b>

The accompanying notes are an integral part of this statement.

**TOWN OF EMMITSBURG, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL**  
**GENERAL FUND**

<b>For the year ended June 30, 2016</b>	<b>Original Budget</b>	<b>Final Appropriated Budget</b>	<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>Debt Service</b>				
Principal payments	\$ 33,055	\$ 33,055	\$ 34,647	\$ (1,592)
Interest payments	<u>15,160</u>	<u>15,160</u>	<u>13,567</u>	<u>1,593</u>
<b>Total Debt Service</b>	<b><u>\$ 48,215</u></b>	<b><u>\$ 48,215</u></b>	<b><u>\$ 48,214</u></b>	<b><u>\$ 1</u></b>
<b>Total Expenditures</b>	<b><u>\$ 1,499,850</u></b>	<b><u>\$ 1,576,300</u></b>	<b><u>\$ 1,534,957</u></b>	<b><u>\$ 41,343</u></b>
<b>Excess of Revenues over Expenditures</b>	<b><u>\$ 127,859</u></b>	<b><u>\$ 127,859</u></b>	<b><u>\$ 242,419</u></b>	<b><u>\$ 114,560</u></b>
<b>Other Financing Sources (Uses)</b>				
Transfer out to Capital Projects Fund	<u>(127,859)</u>	<u>(127,859)</u>	<u>(127,859)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 114,560</u></b>	<b><u>\$ 114,560</u></b>

The accompanying notes are an integral part of this statement.

**TOWN OF EMMITSBURG, MARYLAND**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

<b>For the year ended June 30, 2016</b>	<b>Employees' Pension System</b>
Town's proportion of the net pension liability	0.002871145%
Town's proportionate share of the net pension liability	<u>\$ 596,673</u>
Covered-employee payroll	\$ 761,803
Town's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>78.32%</u>
Plan Fiduciary Net position as a % of total pension liability	<u>68.78%</u>

**SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS**

<b>For the year ended June 30, 2016</b>	<b>Employees' Pension System</b>
Contractually required contribution	\$ 54,470
Actual contribution	<u>(54,470)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 761,803
Contributions as a percentage of covered-employee payroll	7.15%

The accompanying notes are an integral part of this statement.

**TOWN OF EMMITSBURG, MARYLAND**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

<b>For the year ended June 30, 2015</b>	<b>Employees' Pension System</b>
Town's proportion of the net pension liability	0.002528922%
Town's proportionate share of the net pension liability	<u>\$ 448,801</u>
Covered-employee payroll	\$ 759,020
Town's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>59.13%</u>
Plan Fiduciary Net position as a % of total pension liability	<u>71.87%</u>

**SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS**

<b>For the year ended June 30, 2015</b>	<b>Employees' Pension System</b>
Contractually required contribution	\$ 60,516
Actual contribution	<u>(60,516)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 759,020
Contributions as a percentage of covered-employee payroll	7.97%

The accompanying notes are an integral part of this statement.



## Draper & McGinley, P.A.

CERTIFIED PUBLIC ACCOUNTANTS  
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### REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor and Board of Commissioners  
Town of Emmitsburg, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Emmitsburg, Maryland, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Emmitsburg, Maryland's basic financial statements, and have issued our report thereon dated October 28, 2016.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Emmitsburg, Maryland's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Emmitsburg, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Emmitsburg, Maryland's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Emmitsburg, Maryland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drapear & McGuney, P.A.

Frederick, Maryland  
October 28, 2016