

TOWN OF CHARLESTOWN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

TOWN OF CHARLESTOWN

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Certified Public Accountants
Accounting and Tax Services

Independent Auditors' Report

To the Town Commissioners
Town of Charlestown

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Town of Charlestown as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town'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. 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 auditor's 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 Charlestown as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report (continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 29 through 34 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.

Wagner & Associates, CPA, LLC
Rising Sun, MD

September 15, 2016

TOWN OF CHARLESTOWN

Management Discussion and Analysis June 30, 2016

As management of the Town of Charlestown, Maryland ("the Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. The Management's Discussion and Analysis (MD&A) is best understood if read in conjunction with the Town's basic financial statements.

Financial Highlights

The assets of the Town exceeded its liabilities at the close of the 2016 fiscal year by \$5,605,751 (net position). Approximately 71% of this amount is attributable to the Utility Fund. Of the total net position, \$1,118,623 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors (135% of this amount is attributable to the Utility Fund), and \$4,475,628 is invested in capital assets, net of related debt. The remaining net position of \$11,500 has been restricted.

As of June 30, 2016, the Town's governmental funds reported a combined ending deficit fund balance of \$433,917. *Nonspendable* and *assigned* fund balances have positive balances of \$11,500 and \$48,424, respectively, while \$493,841 is a deficit from unassigned fund balance. As of June 30, 2016, unassigned fund balance for the General Fund (primary operating fund) was \$313,988 or 26% of total General Fund expenditures.

The Town's total long-term debt, net of issuance and repayments, increased by \$153,219 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required 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's finances in a manner similar to a private sector business; this can be found on pages 9-10. 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 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 Town'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 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 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 include general government, public safety, public works, and parks and recreation. The business-type activities of the Town include water and sewer operations.

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 can be divided into two categories: governmental funds and proprietary funds.

TOWN OF CHARLESTOWN

Management Discussion and Analysis
June 30, 2016

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 so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and 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 Town maintains two individual governmental funds, the General and the Special Revenue Funds.

Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statements of Revenues, Expenditures and Changes in Fund Balances for both of the governmental funds. The Town adopts an annual appropriated budget for all Funds. A budgetary comparison statement has been provided for the General and Special Revenue Funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 11-14. The budgetary comparison can be found as other required supplementary information on pages 29-34.

Proprietary funds

The Town maintains one proprietary-type fund: an enterprise fund. *Enterprise funds* are used to report the same functions presented *as business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its utilities (water and sewer) activities. The basic proprietary fund financial statements can be found on pages 15-17 of this report.

Summary of significant accounting policies and notes to the financial statements

The summary and notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The summary and notes are part of the basic financial statements and can be found on pages 18-28 of this report.

Other information

In addition to the basic financial statements and accompanying summary and notes, this report also presents the budgetary comparison for the General and Special Revenue Funds as *required supplementary information* on pages 29-34.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the Town, assets exceeded liabilities by \$5,605,751 at the close of the current fiscal year. The Town of Charlestown's net position is divided into three categories - invested in capital assets, net of related debt, restricted and unrestricted net position. The largest portion of the Town's net position (80%) reflects its investment in capital assets (e.g., land, improvements, buildings, machinery, equipment, vehicles, water and sewer systems), less accumulated depreciation and any un-matured debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position is resources that are subject to external restrictions on how they may be used.

TOWN OF CHARLESTOWN

Management Discussion and Analysis
June 30, 2016

For the fiscal year ended June 30, 2016, the Town reported positive balances in all categories, except the unrestricted net position of Governmental Activities, for the Town as a whole. The unrestricted net position of Governmental Activities reported a negative balance of \$394,422.

	Net Position						Total Percentage Change 2016-2015
	Governmental Activities		Business-type Activities		Totals - Primary Government		
	2016	2015	2016	2015	2016	2015	
Assets							
Current and other assets	\$ 492,357	\$ 623,834	\$ 738,047	\$ 737,577	\$ 1,230,404	\$ 1,361,411	-9.62%
Capital assets	2,249,086	1,780,804	3,069,808	3,209,026	5,318,894	4,989,830	6.59%
Other assets	(835,340)	(573,215)	835,340	573,215	- 0 -	- 0 -	0.00%
Total assets	1,906,103	1,831,423	4,643,195	4,519,818	6,549,298	6,351,241	3.12%
Liabilities							
Current Liabilities	39,144	44,450	96,368	99,866	135,512	144,316	-6.10%
Long-term liabilities outstanding	231,496	124,785	576,539	616,297	808,035	741,082	9.03%
Total liabilities	270,640	169,235	672,907	716,163	943,547	885,398	6.57%
Net Position							
Invested in capital assets, net of related debt	2,018,385	1,664,331	2,457,243	2,557,470	4,475,628	4,221,801	6.01%
Restricted	11,500	11,500	- 0 -	- 0 -	11,500	11,500	0.00%
Unrestricted	(394,422)	(13,643)	1,513,045	1,246,185	1,118,623	1,232,542	-9.24%
Total net position	\$ 1,635,463	\$ 1,662,188	\$ 3,970,288	\$ 3,803,655	\$ 5,605,751	\$ 5,465,843	2.56%

TOWN OF CHARLESTOWN

Management Discussion and Analysis
June 30, 2016

The following table indicates the changes in net position for governmental and business-type activities:

	Changes in Net Position						Total Percentage Change 2016-2015
	Governmental Activities		Business-type Activities		Totals - Primary Government		
	2016	2015	2016	2015	2016	2015	
Revenues							
Program revenues:							
Charges for services	\$ 19,290	\$ 22,656	\$ 654,949	\$ 492,024	\$ 674,239	\$ 514,680	31.00%
Operating Grants and Contributions	95,629	91,670	- 0 -	- 0 -	95,629	91,670	4.32%
Capital Grants and Contributions	- 0 -	59,215	- 0 -	- 0 -	- 0 -	59,215	0.00%
General revenues:							
Property and other taxes	582,144	568,939	- 0 -	- 0 -	582,144	568,939	2.32%
Rent income	162,601	164,041	- 0 -	- 0 -	162,601	164,041	-0.88%
Miscellaneous	36,326	29,128	- 0 -	- 0 -	36,326	29,128	24.71%
Unrestricted investment earnings	1,777	2,475	266	103	2,043	2,578	-20.75%
Special Items	- 0 -	(67,884)	- 0 -	- 0 -	- 0 -	(67,884)	-100.00%
Total revenues	897,767	870,240	655,215	492,127	1,552,982	1,362,367	13.99%
Expenses							
General government	567,654	539,890	- 0 -	- 0 -	567,654	539,890	5.14%
Public safety	76,814	88,597	- 0 -	- 0 -	76,814	88,597	-13.30%
Public works	205,590	155,150	- 0 -	- 0 -	205,590	155,150	32.51%
Parks and recreation	74,434	69,588	- 0 -	- 0 -	74,434	69,588	6.96%
Water and sewer	- 0 -	- 0 -	488,582	468,729	488,582	468,729	4.24%
Total expenses	924,492	853,225	488,582	468,729	1,413,074	1,321,954	6.89%
Change in Net Position	(26,725)	17,015	166,633	23,398	139,908	40,413	246.20%
Net position, beginning	1,662,188	1,645,173	3,803,655	3,780,257	5,465,843	5,425,430	0.74%
Net position, ending	\$ 1,635,463	\$ 1,662,188	\$ 3,970,288	\$ 3,803,655	\$ 5,605,751	\$ 5,465,843	2.56%

Governmental activities: General revenues & special items for the governmental activities were \$782,848 while total expenses, net of charges for services were \$809,573. The loss in net position for governmental activities was \$26,725.

TOWN OF CHARLESTOWN

Management Discussion and Analysis
June 30, 2016

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds

The focus of the Town's *governmental funds* is to provide information on current inflows, outflows, and balances of available, *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year-end. As of June 30, 2016, the Town's governmental funds reported a combined ending fund balance deficit of \$433,917, of which \$493,841 is a deficit *unassigned fund balance*. In comparison with the prior year this represents a decrease of \$407,156. Of the total fund balance, \$48,424 constitutes *assigned fund balance*, which is not available for spending at the government's discretion. The remainder of fund balance \$11,500 is *nonspendable* to indicate that it is not available for new spending because it has already been committed and dedicated for a restricted purpose.

The General Fund is the chief operating fund of the Town of Charlestown. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$313,988. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 26% of total General Fund expenditures. The fund balance of the Town of Charlestown's General Fund decreased by \$352,849 during the current fiscal year. The Special Revenue Fund has a total fund deficit of \$796,329.

Proprietary funds

The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the Utility Fund totaled \$3,970,288. Other factors concerning these fund finances have been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

A budget and actual comparison schedule is provided as other required supplementary information. The budget and actual comparison schedules show the original adopted budgets, the final revised budget, actual results, and variance between the final budget and actual results for the general and special revenue funds.

Date-Uncertain Revenue Notation

The Town has a future "date-uncertain" receivable which has not been reflected in the current financial statements due to the inability to assign a specific date of receipt. Management feels however, this receivable is significant enough to note as a potential receivable. The transaction in the amount of \$50,000 will be due from Lambdin Development, LLC, developer for Cool Springs, for well and/or water improvements. This amount is due prior to the completion of the Cool Springs Development.

TOWN OF CHARLESTOWN

Management Discussion and Analysis
June 30, 2016

Capital Assets and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2016 was \$5,318,894 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery, equipment, furniture, fixtures, vehicles, as well as, water and sewer systems.

The following table of the Town's capital assets is listed below. Additional information can be found in Note 4 on pages 23-24 of this report.

Capital Assets
(net of depreciation)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land – non-depreciable	\$ 867,802	\$ - 0 -	\$ 867,802
Historic buildings and artifacts – non-depreciable	50,000	- 0 -	50,000
Construction in progress	79,899	- 0 -	79,899
Building and improvements	1,156,345	- 0 -	1,156,345
Machinery and equipment	95,040	- 0 -	95,040
Water and sewer systems	<u>- 0 -</u>	<u>3,069,808</u>	<u>3,069,808</u>
Total capital assets, net of depreciation	<u>\$ 2,249,086</u>	<u>\$ 3,069,808</u>	<u>\$ 5,318,894</u>

Debt administration

At June 30, 2016, the Town had three notes payable relating to Maryland Department of Housing and Community Development, Infrastructure Financing Bonds totaling \$556,700, \$86,600 and \$122,500, respectively. There was also a note payable to Maryland Department of Natural Resources for \$55,865; a note payable for the October 2014 purchase of the new vehicle in the amount of \$10,155; an interest-free project financing loan payable to the Maryland Department of Natural Resources for the financing of the Stone Warf Project in the amount of \$11,446.

Outstanding Debt

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Total outstanding debt	<u>\$ 230,701</u>	<u>\$ 612,565</u>	<u>\$ 843,266</u>

Request for information

This financial report is designed to provide a general overview of the Town of Charlestown's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or request for additional financial information should be directed to Wib Pumpaly, Town Administrator, Town of Charlestown, 241 Market Street, P.O. Box 154, Charlestown, MD, 21914, or send an e-mail to townadmin21914@comcast.net.

TOWN OF CHARLESTOWN

Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 398,338	\$ 613,628	\$ 1,011,966
Property taxes receivable	11,715	- 0 -	11,715
Due from other governments	14,383	- 0 -	14,383
Accounts receivable	23,176	- 0 -	23,176
Bond proceeds held in escrow	44,745	- 0 -	44,745
Service charges receivable	- 0 -	124,419	124,419
Total Current Assets	<u>492,357</u>	<u>738,047</u>	<u>1,230,404</u>
CAPITAL ASSETS			
Land - non-depreciable	867,802	- 0 -	867,802
Historic buildings and artifacts - non-depreciable	50,000	- 0 -	50,000
Construction in progress	79,899	- 0 -	79,899
Building and equipment	3,373,210	5,735,487	9,108,697
Less: accumulated depreciation	<u>(2,121,825)</u>	<u>(2,665,679)</u>	<u>(4,787,504)</u>
Total Capital Assets	<u>2,249,086</u>	<u>3,069,808</u>	<u>5,318,894</u>
OTHER ASSETS			
Advances to (from) other funds	<u>(835,340)</u>	<u>835,340</u>	<u>- 0 -</u>
Total Noncurrent Assets	<u>(835,340)</u>	<u>835,340</u>	<u>- 0 -</u>
TOTAL ASSETS	<u>1,906,103</u>	<u>4,643,195</u>	<u>6,549,298</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	25,315	56,576	81,891
Current portion - long term obligations	<u>13,829</u>	<u>39,792</u>	<u>53,621</u>
Total Current Liabilities	39,144	96,368	135,512
NONCURRENT LIABILITIES			
Security deposits	2,500	- 0 -	2,500
Long term obligations	<u>228,996</u>	<u>576,539</u>	<u>805,535</u>
TOTAL LIABILITIES	<u>270,640</u>	<u>672,907</u>	<u>943,547</u>
NET POSITION			
Invested in capital assets, net of related debt	2,018,385	2,457,243	4,475,628
Restricted	11,500	- 0 -	11,500
Unrestricted	<u>(394,422)</u>	<u>1,513,045</u>	<u>1,118,623</u>
TOTAL NET POSITION	<u>\$ 1,635,463</u>	<u>\$ 3,970,288</u>	<u>\$ 5,605,751</u>

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Statement of Activities
For the Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges For Services	Operating Grants & Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS:						
GOVERNMENTAL ACTIVITIES						
General government	\$ 567,654	\$ 16,850	\$ 42,078	\$ (508,726)	\$ - 0 -	\$ (508,726)
Public safety	76,814	- 0 -	- 0 -	(76,814)	- 0 -	(76,814)
Public works	205,590	- 0 -	53,551	(152,039)	- 0 -	(152,039)
Parks and recreation	74,434	2,440	- 0 -	(71,994)	- 0 -	(71,994)
Total Governmental Activities	924,492	19,290	95,629	(809,573)	- 0 -	(809,573)
BUSINESS-TYPE ACTIVITIES						
Water and sewer system	488,582	654,949	- 0 -	- 0 -	166,367	166,367
Total Business-Type Activities	488,582	654,949	- 0 -	- 0 -	166,367	166,367
TOTAL PRIMARY GOVERNMENT	\$ 1,413,074	\$ 674,239	\$ 95,629	(809,573)	166,367	(643,206)
GENERAL REVENUES:						
Taxes:						
Property				462,842	- 0 -	462,842
Income and other				119,302	- 0 -	119,302
Rental income				162,601	- 0 -	162,601
Miscellaneous				36,326	- 0 -	36,326
Investment income				1,777	266	2,043
TOTAL GENERAL REVENUES & SPECIAL ITEMS				782,848	266	783,114
CHANGE IN NET POSITION				(26,725)	166,633	139,908
NET POSITION - BEGINNING				1,662,188	3,803,655	5,465,843
NET POSITION - ENDING				\$ 1,635,463	\$ 3,970,288	\$ 5,605,751

TOWN OF CHARLESTOWN

Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 321,247	\$ 77,091	\$ 398,338
Property taxes receivable	11,715	- 0 -	11,715
Due from other governments	14,383	- 0 -	14,383
Accounts receivable	5,301	17,875	23,176
Bond proceeds held in escrow	44,745	- 0 -	44,745
Advances to other funds	351,684	- 0 -	351,684
	<u>\$ 749,075</u>	<u>\$ 94,966</u>	<u>\$ 844,041</u>
TOTAL ASSETS	<u>\$ 749,075</u>	<u>\$ 94,966</u>	<u>\$ 844,041</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
LIABILITIES:			
Accounts payable and accrued expenses	\$ 21,961	\$ 3,354	\$ 25,315
Due to other funds	- 0 -	20,580	20,580
Security deposits	2,500	- 0 -	2,500
Advances from other funds	315,083	851,361	1,166,444
	<u>339,544</u>	<u>875,295</u>	<u>1,214,839</u>
Total Liabilities	<u>339,544</u>	<u>875,295</u>	<u>1,214,839</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable property taxes	2,374	- 0 -	2,374
Unavailable loan proceeds	44,745	- 0 -	44,745
Unavailable other local tax income	- 0 -	16,000	16,000
	<u>47,119</u>	<u>16,000</u>	<u>63,119</u>
Total deferred inflows of resources	<u>47,119</u>	<u>16,000</u>	<u>63,119</u>
FUND BALANCES:			
Nonspendable	- 0 -	11,500	11,500
Assigned	48,424	- 0 -	48,424
Unassigned	313,988	(807,829)	(493,841)
	<u>362,412</u>	<u>(796,329)</u>	<u>(433,917)</u>
Total Fund Balances	<u>362,412</u>	<u>(796,329)</u>	<u>(433,917)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 749,075</u>	<u>\$ 94,966</u>	<u>\$ 844,041</u>

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Reconciliation of Governmental Funds to the Statement of Net Position
June 30, 2016

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ (433,917)
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	\$ 4,370,911	
Less: accumulated depreciation	<u>(2,121,825)</u>	
		2,249,086
Receivables that are measurable but not collected within 60 days are not considered available for use in the near term, and therefore, are not reported in the governmental funds.		18,374
Liabilities associated with compensated absences are not payable in the current period and are not reported in the governmental funds.		(12,124)
Liabilities associated with the acquisition of capital assets are not reported in the governmental funds.		(230,701)
Loan proceeds associated with the acquisition of capital assets not available for reimbursement are not reported in the governmental funds		<u>44,745</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 1,635,463</u>

TOWN OF CHARLESTOWN

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Totals
REVENUES			
Property taxes	\$ 465,104	\$ - 0 -	\$ 465,104
Income taxes	110,931	- 0 -	110,931
Other local taxes	530	23,841	24,371
Licenses and permits	41,431	- 0 -	41,431
Intergovernmental	42,078	53,551	95,629
Rental Income	109,342	53,259	162,601
Miscellaneous	14,213	1,749	15,962
	<u>783,629</u>	<u>132,400</u>	<u>916,029</u>
Total Revenues			
EXPENDITURES			
Current operating			
General government	551,906	- 0 -	551,906
Public safety	68,279	- 0 -	68,279
Public works	- 0 -	176,023	176,023
Parks and recreation	31,283	- 0 -	31,283
Capital expenditures	558,152	- 0 -	558,152
Debt service - principal	10,466	7,509	17,975
Debt service - interest	3,850	3,175	7,025
	<u>1,223,936</u>	<u>186,707</u>	<u>1,410,643</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(440,307)</u>	<u>(54,307)</u>	<u>(494,614)</u>
OTHER FINANCING SOURCES			
Proceeds from long-term obligations	87,458	- 0 -	87,458
	<u>87,458</u>	<u>- 0 -</u>	<u>87,458</u>
Total Other Financing Sources			
NET CHANGE IN FUND BALANCES	(352,849)	(54,307)	(407,156)
FUND BALANCES - BEGINNING	<u>715,261</u>	<u>(742,022)</u>	<u>(26,761)</u>
FUND BALANCES - ENDING	<u>\$ 362,412</u>	<u>\$ (796,329)</u>	<u>\$ (433,917)</u>

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ (407,156)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
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 and reported as depreciation expense. This is the amount by which capital expenditures of \$558,152 exceeded depreciation expense of \$89,870 in the current period.	468,282
Governmental funds report principal debt payments as expenditures because they use current financial resources. Principal payments reduce long term debt in the Statement of Net Position. This is the amount of principal payments made during the year.	17,975
Governmental funds report compensated absences when paid. However, in the Statement of Activities, they are recorded when earned. This is the excess of the amount earned over the amount paid for the year.	(106)
Governmental funds recognize revenues if they are received within sixty days of year end. However, in the Statement of Activities, they are recorded when earned. This is the amount by which revenues received in the current period exceeded revenues earned but not received in the current period.	
Property taxes	(2,262)
Other local taxes	(16,000)
Governmental funds report proceeds from long term obligations as an other financing source. However, proceeds increase long term obligations in the Statement of Net Position. This is the amount of proceeds from long term obligations during the year.	<u>(87,458)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (26,725)</u>

TOWN OF CHARLESTOWN

Statement of Net Position - Proprietary Funds
June 30, 2016

		Major Enterprise Fund Utility Fund
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 613,628	
Service charges receivable	124,419	
Due from other funds	20,580	
Total Current Assets		\$ 758,627
CAPITAL ASSETS		
Land, building and equipment	5,735,487	
Less: accumulated depreciation	(2,665,679)	
Total Capital Assets		3,069,808
OTHER ASSETS		
Advances to other funds	814,760	
		814,760
TOTAL ASSETS		4,643,195
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	56,576	
Current portion - long term obligations	39,792	
Total Current Liabilities		96,368
NONCURRENT LIABILITIES		
Long term obligations	576,539	
Total Noncurrent Liabilities		576,539
TOTAL LIABILITIES		672,907
NET POSITION		
Invested in capital assets, net of related debt	2,457,243	
Unrestricted	1,513,045	
TOTAL NET POSITION		\$ 3,970,288

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Statement of Revenues, Expenses and Changes in
Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2016

		Major Enterprise Fund Utility Fund
OPERATING REVENUES		
Service fees	\$ 472,949	
Total Operating Revenue		\$ 472,949
OPERATING EXPENSES		
Salaries	54,581	
Maintenance	53,662	
User fees - county	146,672	
Contracted service	45,196	
Utilities	22,960	
General and administrative	5,597	
Miscellaneous	2,600	
Depreciation	139,218	
Total Operating Expenses		470,486
OPERATING INCOME		2,463
NONOPERATING REVENUES (EXPENSES)		
Connection fees	182,000	
Interest expense	(18,096)	
Investment income	266	
Total Nonoperating Revenue		164,170
CHANGE IN FUND NET POSITION		166,633
TOTAL NET POSITION - BEGINNING		3,803,655
TOTAL NET POSITION - ENDING		\$ 3,970,288

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2016

		Major Enterprise Fund Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 465,202	
Cash payments to suppliers for goods and services	(277,493)	
Cash payments to general fund for salaries	(50,815)	
NET CASH FLOWS FROM OPERATING ACTIVITIES		\$ 136,894
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer from other funds	(262,125)	
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		(262,125)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayments of bonds	(42,724)	
Connection fees received	182,000	
Interest payments and administrative fees paid on bond	(18,096)	
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		121,180
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	266	
NET CASH FLOWS FROM INVESTING ACTIVITIES		266
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,785)
CASH AND CASH EQUIVALENTS - BEGINNING		617,413
CASH AND CASH EQUIVALENTS - END		\$ 613,628
Reconciliation of operating loss to net cash flows from operating activities:		
Operating income		\$ 2,463
Add depreciation expense	\$ 139,218	
Add accrued compensated absences	3,766	
(Increase) decrease in current assets		
Accounts receivable	(7,747)	
Prepaid expenses	3,492	
Increase (decrease) in current liabilities		
Accounts payable	(4,298)	
Total adjustments		134,431
Net cash provided by operating activities		\$ 136,894

See accompanying notes to financial statements

TOWN OF CHARLESTOWN

Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies

The Town of Charlestown, Maryland (the Town) was founded in 1742, under the provisions of the laws of the State of Maryland. The Town operates under the Commissioner form of government. The Town is located in Cecil County and provides the following services as authorized by its charter: General Government, Public Safety, Public Works, Parks and Recreation, and Water and Sewer Services. A substantial portion of the Town's revenue is received from the property and income taxes related to the residents and businesses of the Town and services provided by its water and sewer systems.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility or the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based on this criteria, the Town has concluded that there are no component unit relationships that are required to be presented in these financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to local governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized in the year for which they are levied, while grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services and facilities; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets, when applicable. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activities column of the government-wide statements incorporates data from governmental funds, while business-type activities incorporate data from the Town's enterprise funds. Separate financial statements are provided for each major governmental and proprietary fund. There are no fiduciary funds held by the Town.

Governmental fund statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period, or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Major revenue sources susceptible to year-end accrual include: Income tax receipts, property taxes and capital grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). In general, all other revenues are considered to be measurable and available when cash is received.

TOWN OF CHARLESTOWN

Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for services provided. Principal operating expenses are the costs of providing services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year-end are planned to be eliminated in the subsequent year. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." However, internal eliminations do not include water and sewage services provided to the Town Hall. Reimbursements are reported as reductions to expenses. Long-term interfund loans are classified as "advances to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported as "advances to (from) other funds."

Fund Types and Major Funds

The accounts of the Town are organized on the basis of funds. A fund is an independent fiscal and 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 contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. There are no non-major funds in either fund category.

The Town reports the following major governmental funds:

The General Fund – This is the primary operating fund of the Town. It accounts for all of the financial resources and the legally authorized activities of the Town except for those required to be accounted for in other specialized funds. The general fund accounts for the normal operating activities of the Town. These activities are financed primarily by taxes, grants from other governments and charges for services.

Special Revenue Fund – This fund is used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action.

The Town reports the following major proprietary fund:

The Utility Fund – This fund is used to account for the operations of the Town's water and sewer system. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

Budgetary Data

Formal budgetary accounting is employed as a management control for all funds of the Town. Annual operating budgets are adopted, after public hearings, by passing of a resolution prior to the start of each fiscal year. Transfers of appropriations between functions require approval of the Commissioners. The budget uses the same basis of accounting as used to reflect actual revenues and expenditures.

Cash and Cash Equivalents

Cash and Cash Equivalents include demand deposits, money market and savings accounts, and investments in the Maryland Local Government Investment Pool.

TOWN OF CHARLESTOWN

Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

Property Taxes Receivable

Taxes on real estate are billed and collected on behalf of the Town by Cecil County. Cecil County then remits payment to the Town. Personal property taxes are billed and collected directly by the Town based on assessment data provided by the State of Maryland.

Due from Other Governments

Local income taxes, highway user taxes and admission and amusement taxes are collected on behalf of the Town by the State of Maryland and are remitted to the Town. Receivables from other governments primarily consist of amounts arising from transfer payments and amounts due from grantors for specific programs and capital projects.

Account Receivable

Other accounts receivable consist primarily of rental income receivables.

Service Charges Receivable

Water and sewer charges are recorded when billed, except that an amount is recorded for services rendered but not yet billed, as of the close of the fiscal year. The accrued amount is based on actual billings made subsequent to year end.

All receivables are reported at gross values. These balances are continually reviewed by Town management and are deemed fully collectible. Therefore, no allowance for uncollectible accounts is deemed necessary.

Capital Assets and Depreciation

The Town's property, buildings, equipment and infrastructure, with a cost of more than \$2,500 and an estimated useful life of more than one year, are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their fund financial statements. Donated assets are stated at their fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The Town has been exempted from retroactively reporting its infrastructure assets. However, all future construction or major improvements to the roads, bridges, sidewalks, drainage and lighting systems for the Town will be capitalized and depreciated in a manner consistent with current policies for capital assets in the governmental and proprietary funds.

Estimated useful lives for depreciable assets are as follows:

Water system	10 - 50 years
Sewer system	30 - 50 years
Buildings and improvements	50 years
Machinery and equipment	5 - 50 years

Compensated Absences

Compensated absences are those earned but unused absences for which employees will be paid, such as vacation leave. Employees are granted vacation leave in varying amounts. It is the Town's policy to permit employees to accumulate earned vacation time throughout the year but may only carry 30 days over to the next calendar year. The Town pays employees unused vacation leave to the full amount earned and available at the time of employee resignation or retirement. The accumulated vacation leave liability is based on the amount that is expected to ultimately be paid. Vacation leave is accrued, as applicable, in the government-wide and proprietary financial statements as part of long term obligations. A liability is reported in governmental fund financial statements only if it has matured, for example, as a result of employee resignations and retirements.

TOWN OF CHARLESTOWN

Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Invested in Capital Assets, Net of Related Debt

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balance of the debt that is attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position

This category represents the net position of the Town which has been restricted for a specific project or purpose by a third party. As of June 30, 2016, net position classified as restricted consisted of funds whose purpose was restricted by the donor for perpetual maintenance of the cemetery.

Unrestricted Net Position

This category represents the net position of the Town, which is not restricted for any project or other purpose by third parties.

FUND BALANCES

In the governmental fund financial statements, fund balances are classified in the following categories:

Nonspendable

This category includes amounts that cannot be spent due to form, such as inventory, prepaid amounts, long-term receivables or amounts that must be maintained intact legally or contractually. As of June 30, 2016, the Town maintained a balance of \$11,500, which is permanently restricted for the perpetual maintenance of the cemetery.

Restricted

This category includes amounts constrained by an external party, constitutional provision or enabling legislation. As of June 30, 2016, the Town did not have any assets to be reported in this category.

Committed

This category includes amounts constrained for a specific purpose by the Board of Commissioners using its highest level of decision making authority, prior to year-end. As of June 30, 2016, the Town did not have any assets to be reported in this category.

Assigned

This category includes amounts constrained by the intent to be used for a specific purpose by a governing board. The board maintains the authority to assign funds. As of June 30, 2016, the Town Commissioners have assigned \$48,424 for various repairs and improvements to the Town's buildings, parks, cemetery, pier and streets.

Unassigned

This category includes all funds which are not specifically classified as Nonspendable, Restricted, Committed or Assigned.

In the proprietary fund financial statements, net position is classified in the following categories:

Invested in Capital Assets, Net of Related Debt

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balance of the debt that is attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position

This category represents the net position of the Town and has been restricted for a specific project or purpose by a third party. As of June 30, 2016, the Town did not have any assets to be reported in this category.

TOWN OF CHARLESTOWN

Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

Unrestricted

This category represents the net position of the Fund and is not restricted for any project or other purpose.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the Statement of Net Position as "Cash and Cash Equivalents", and consists of demand deposits, money market accounts, savings accounts and investments in the Maryland Local Government Investment Pool (MLGIP).

The Town is a participant in the MLGIP, which was established by the State of Maryland as an investment vehicle for short-term investment of funds by local municipalities. MLGP is an SEC registered (2a-7) money market fund, which maintains a constant \$1 per share value. The MLGIP, under the control of the state treasurer, has been managed by a single financial institution. Short-term investments of the pool are reported at cost, which approximates fair value (Level 1). The fair value of the pool is the same as the value of the pool shares. As of June 30, 2016, all holdings are in cash and cash equivalents, since they are available on demand.

Credit Risk

The Town has adopted a policy to be followed when investing public funds in accordance with the provisions of Section 17-101 of the Local Government Article of the Annotated Code of Maryland which prescribes the type of investments permissible for Maryland Municipalities. This policy requires that Town funds be invested in obligations for which the United States has pledged its full faith and credit, obligations insured by a federal agency (such as the FDIC), obligations collateralized by federal obligations, and portfolios created under the Maryland Local Government Investment Pool. The Town was in compliance with the provisions of the Annotated Code of Maryland as of June 30, 2016, which was adopted to mitigate credit risk for the Town.

Interest Rate and Credit Risk

The Town manages interest rate and credit risk by investing primarily in short-term holdings, including demand deposits, certificates of deposit and MLGIP.

Custodial Credit Risk

The Town manages custodial credit risk through its use of permissible investments based on its compliance with the Annotated Code of Maryland as previously described. As such, uninsured or uncollateralized funds are not permitted.

Deposits by level of risk are:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash on hand	\$ 100	\$ - 0 -
FDIC insured	260,000	260,000
Uninsured, collateral held by pledging		
Bank's Trust Department in Town's name	406,858	447,208
Maryland Local Government Investment Pool	345,008	345,008
	<u>\$ 1,011,966</u>	<u>\$ 1,052,216</u>

3. Bond Proceeds Held in Escrow

The Town received a bond loan with the State of Maryland totaling \$132,302. As of June 30, 2016, the Town has an outstanding balance of \$44,745 held in an escrow account by the State of Maryland. These funds will be released as the remaining work is completed on the Long Point Erosions project.

TOWN OF CHARLESTOWN

Notes to Financial Statements
June 30, 2016

4. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds". All short-term interfund receivables and payables at year-end are planned to be eliminated in the subsequent year. Net funds due to the Utility Fund as of June 30, 2016 consist of scheduled repayments from the Special Revenue Fund over the next twelve months totaling \$20,580.

Long-term interfund loans are classified as "advances to/from other funds". These funds were primarily utilized to fund capital projects. Any residual balances outstanding between governmental activities and business-type activities are report as "advances to (from) other funds".

Interfund receivables and payables consisted of the following:

	Receivables	Payables
General Fund:		
Utility fund	\$ - 0 -	\$ 315,083
Special fund	351,684	- 0 -
	351,684	315,083
Special Fund:		
Utility fund	- 0 -	520,257
General fund	- 0 -	351,684
	- 0 -	871,941
Utility Fund:		
General fund	315,083	- 0 -
Special fund	520,257	- 0 -
	835,340	- 0 -
Total	\$ 1,187,024	\$ 1,187,024

5. Capital Assets

Property and equipment of the Governmental Activities are summarized as follows:

	Balance June 30, 2015	Additions	Disposals	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 420,702	\$ 447,100	\$ - 0 -	\$ 867,802
Historic building & artifacts	50,000	- 0 -	- 0 -	50,000
Construction in progress	- 0 -	79,899	- 0 -	79,899
Capital assets, being depreciated:				
Building and improvements	3,167,528	- 0 -	- 0 -	3,167,528
Machinery and equipment	174,529	31,153	- 0 -	205,682
Total	3,812,759	558,152	- 0 -	4,370,911
Less: Accumulated Depreciation:				
Buildings and improvements	1,937,418	73,765	- 0 -	2,011,183
Machinery and equipment	94,537	16,105	- 0 -	110,642
Total	2,031,955	89,870	- 0 -	2,121,825
Total capital assets	\$ 1,780,804			\$ 2,249,086

TOWN OF CHARLESTOWN

Notes to Financial Statements
June 30, 2016

5. Capital Assets (continued)

Depreciation was charged to functions in the governmental activities as follows:

General Government	\$ 15,658
Public Safety	8,535
Parks & Recreation	39,301
Public Works	<u>26,376</u>
 Total	 <u>\$ 89,870</u>

Property and equipment of the Utility Fund are summarized as follows:

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2016</u>
Capital assets, being depreciated:				
Water system	\$ 3,735,813	\$ - 0 -	\$ - 0 -	\$ 3,735,813
Sewer system	<u>1,999,674</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>1,999,674</u>
Total	<u>5,735,487</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>5,735,487</u>
Less: Accumulated Depreciation:				
Water system	1,567,171	98,589	- 0 -	1,665,760
Sewer system	<u>959,290</u>	<u>40,629</u>	<u>- 0 -</u>	<u>999,919</u>
Total	<u>2,526,461</u>	<u>139,218</u>	<u>- 0 -</u>	<u>2,665,679</u>
Total capital assets	<u>\$ 3,209,026</u>			<u>\$ 3,069,808</u>

Depreciation expense for business-type activities for the year ended June 30, 2016 was \$139,218.

6. Long-Term Obligations

The following is a summary of long-term obligations as of June 30, 2016:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Balance at beginning of year	\$ 128,491	\$ 655,289
Increases	132,309	33
Decreases	<u>(17,975)</u>	<u>(38,991)</u>
Balance at end of year	<u>\$ 242,825</u>	<u>\$ 616,331</u>
Bonds and notes payable	\$ 230,701	\$ 612,565
Compensated absences	<u>12,124</u>	<u>3,766</u>
Total long term obligations	<u>\$ 242,825</u>	<u>\$ 616,331</u>

TOWN OF CHARLESTOWN

Notes to Financial Statements
June 30, 2016

6. Long-Term Obligations (continued)

The Town has the following bonds and notes payable at June 30, 2016:

GOVERNMENTAL ACTIVITIES

Maryland Department of Natural Resources – Project Financing Loan:

Funds were disbursed in September 2009 and February 2011 to finance the Charlestown Stone Wharf Park project. \$28,320 had been awarded for this project. However, only \$14,335 was spent and disbursed to the Town. The loan is interest-free, payable in 20 annual installments of \$763 beginning July 1 after completion of project. Final maturity date is July 1, 2030.

Balance outstanding as of June 30, 2016:	\$	11,446
Less: current portion		<u>(763)</u>
Non-current portion	\$	<u>10,683</u>

Maryland Department of Housing and Community Development - Infrastructure Refinancing Bonds:

Funds were disbursed in February 2013 and May 2013 to finance the Town Hall Drainage Project totaling \$100,000. The note will be paid in annual principal payments ranging from \$3,800 to \$7,100 during the course of the loan. Interest is paid semiannually with an increasing interest rate starting at 1.41% and ending with 3.94%. Final maturity date is May 1, 2032.

Balance outstanding as of June 30, 2016:	\$	86,600
Less: current portion		<u>(4,500)</u>
Non-current portion	\$	<u>82,100</u>

Automobile Note:

Funds were disbursed in October 2014 to finance the purchase of the new vehicle totaling \$15,407. The note will be paid in monthly principal payments of \$269 during the course of the loan. Interest is paid monthly with an interest rate of 1.9%. Final maturity date is October 2019.

Balance outstanding as of June 30, 2016:	\$	10,155
Less: current portion		<u>(3,066)</u>
Non-current portion	\$	<u>7,089</u>

Maryland Department of Housing and Community Development - Infrastructure Refinancing Bonds:

Funds were disbursed in February 2016 to finance the Long Point Erosion Project totaling \$132,203. The note will be paid in annual principal payments ranging from \$1,000 to \$8,700 during the course of the loan. Interest is paid semiannually with an increasing interest rate starting at 2.23% and ending with 4.65%. Final maturity date is May 1, 2034.

Balance outstanding as of June 30, 2016:	\$	122,500
Less: current portion		<u>(5,500)</u>
Non-current portion	\$	<u>117,000</u>

TOWN OF CHARLESTOWN

Notes to Financial Statements
June 30, 2016

6. Long-Term Obligations (continued)

BUSINESS-TYPE ACTIVITIES

Maryland Department of Housing and Community Development - Infrastructure Refinancing Bonds:

Funds were disbursed in May 2012 to refinance a 2000 Infrastructure Financing bond payable. The note will be paid in annual principal payments ranging from \$35,000 to \$52,000 during the course of the loan. Interest is paid semiannually with an increasing interest rate starting at 1.41% and ending with 3.94%. Final maturity date is May 1, 2029.

Balance outstanding as of June 30, 2016:	\$	556,700
Less: current portion		<u>(36,300)</u>
Non-current portion	\$	<u>520,400</u>

Maryland Department of Natural Resources – Project Financing Loan:

Funds disbursed December 2006 to finance the Charlestown shoreline stabilization project. Loan is interest-free, payable in 25 annual installments of \$3,492 beginning July 1, 2007. Final maturity date is July 1, 2031.

Balance outstanding as of June 30, 2016:	\$	55,865
Less: current portion		<u>(3,492)</u>
Non-current portion	\$	<u>52,373</u>

The annual debt service requirements for the above described bonds and notes through maturity are as follows:

Governmental Activities

<u>Fiscal Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 13,829	\$ 6,887	\$ 20,716
2018	13,888	6,701	20,589
2019	13,948	6,481	20,429
2020	12,542	6,244	18,786
2021	11,263	5,966	17,229
2022 – 2026	61,815	25,229	87,044
2027 – 2031	71,316	14,733	86,049
2032 – 2034	<u>32,100</u>	<u>2,375</u>	<u>34,475</u>
Total	<u>\$ 230,701</u>	<u>\$ 74,616</u>	<u>\$ 305,317</u>

Interest expense totaled \$7,025 for the year ended June 30, 2016.

Business-Type Activities

<u>Fiscal years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 39,792	\$ 17,549	\$ 57,341
2018	40,492	16,918	57,410
2019	40,992	16,200	57,192
2020	41,992	15,367	57,359
2021	42,992	14,147	57,139
2022 – 2026	234,660	51,758	286,418
2027 – 2031	168,153	11,881	180,034
2032	<u>3,492</u>	<u>- 0 -</u>	<u>3,492</u>
Total	<u>\$ 612,565</u>	<u>\$ 143,820</u>	<u>\$ 756,385</u>

Interest expense totaled \$18,096 for the year ended June 30, 2016.

TOWN OF CHARLESTOWN

Notes to Financial Statements
June 30, 2016

7. Restricted Net Position

Cemetery Reserve

The Town maintains a reserve permanently restricted to future cemetery maintenance. The balance as of June 30, 2016 was \$11,500.

8. Property Taxes

Property taxes on real property are recorded as receivables and attach as an enforceable lien on property on July 1, the date levied. Semi-annual installment payments are mandatory for qualified properties unless the taxpayer chooses to pay in one installment. Qualified property is defined as "an owner-occupied principal residence". Under the semi-annual plan, one-half of the tax bill is due September 30 with the balance due on December 31. For all other properties, the bill is due in its entirety on September 30. Cecil County holds an annual property tax lien certificate sale on the first Monday in June to collect all unpaid Town and County property taxes as of that date. Personal property taxes are billed annually by the Town, based on an assessment determined by the State of Maryland. All unpaid taxes as of 90 days after the levy are subject to interest at 12% per annum.

Real and personal property taxes are levied at rates enacted by the Commissioners in the annual budget ordinance on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings.

9. Property Taxes (continued)

The tax rate for the fiscal year ended June 30, 2016, was \$.3334 and \$.8 per \$100 of assessed value for real and personal property, respectively.

10. Operating Lease

The Town is party to several lease agreements involving various buildings, land and amenities owned by the Town. Lease terms range from one year to 75 years, with various options for renewal. Annual base rental fees range from \$1 to \$36,000.

Future minimum rentals to be received under these leases are as follows:

Fiscal year ending June 30, 2017	\$	116,337
2018		86,649
2019		86,649
2020		86,649
2021		86,649
Thereafter		<u>132,198</u>
Total	\$	<u>595,131</u>

11. Deferred Compensation Plan

The Town offers to its employees a deferred compensation plan in accordance with Section 457(b) of the Internal Revenue Code. The plan is available to the Town's employees after one year of eligible service and allows the participants to defer a portion of their current income until future years to shelter such funds and earnings from state and federal taxation until withdrawal. Participation in the plan is optional. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. All contributions to the plan are immediately 100% vested. In addition to employee contributions, the Town will match employee contributions of up to 10% of compensation. Town contributions may be amended by the Commissioners annually as part of the budget process. All amounts of compensation deferred under the plan and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose. The plan custodian, State Street Bank & Trust, is the trustee of the investments.

For the year ended June 30, 2016 employees participated in the plan and the Town matched employee contributions of \$17,154.

TOWN OF CHARLESTOWN

Notes to Financial Statements June 30, 2016

12. 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 purchases insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection. Insurance is provided through the Maryland Local Government Insurance Trust (LGIT) and by commercial insurance. During the year ended June 30, 2016, there was no significant reduction in insurance coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Maryland Local Government Insurance Trust is a total risk and cost sharing plan for all participants. In the event that the Trust's General Fund falls into a deficit that cannot be satisfied by transfer from the Trust's capital and surplus accounts, the Trustees determine a method to fund the deficit. The trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit.

13. Contingencies

Most grants specify the types of expenditures for which the grants may be used. The expenditures made by the Town under some of these grants are subject to audit. To date, the Town has not been notified of any significant unallowable costs relating to its grants. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audits will not have a material effect on the accompanying financial statements.

14. Environmental Concerns

The Town operates a sewer facility. If contamination from the facility occurred, the Town could become liable for the costs of remediation.

15. Subsequent Events

Beginning July 1, 2016, the Commissioners have voted, in conjunction with the budget for the year end June 30, 2017, to merge the Special Revenue Fund with the General Fund.

In preparing these financial statements, management has evaluated events and transactions for potential recognition through September 15, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CHARLESTOWN

Schedule of Revenues and Expenditures Budget
(Non-GAAP and Budgetary Basis) and Actual General Fund
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
TAXES				
Local property taxes				
Property taxes	\$ 450,400	\$ 450,400	\$ 465,104	\$ 14,704
Total Local Taxes	<u>450,400</u>	<u>450,400</u>	<u>465,104</u>	<u>14,704</u>
Other taxes				
Income taxes	78,250	108,250	110,931	2,681
Admissions and amusements	900	900	530	(370)
Total Other Taxes	<u>79,150</u>	<u>109,150</u>	<u>111,461</u>	<u>2,311</u>
TOTAL TAXES	<u>529,550</u>	<u>559,550</u>	<u>576,565</u>	<u>17,015</u>
LICENSES AND PERMITS				
Traders	275	275	- 0 -	(275)
Licenses and permits	15,500	15,500	16,850	1,350
Cable television rebate	18,300	18,300	24,581	6,281
Total Licenses and Permits	<u>34,075</u>	<u>34,075</u>	<u>41,431</u>	<u>7,356</u>
INTERGOVERNMENTAL				
County tax differential	36,380	36,380	37,233	853
County trash rebate	3,469	3,469	2,845	(624)
State of MD critical areas	2,000	2,000	2,000	- 0 -
Total State	<u>41,849</u>	<u>41,849</u>	<u>42,078</u>	<u>229</u>
OTHER				
Interest income	550	550	1,428	878
Miscellaneous	4,600	4,600	12,785	8,185
Rental income	134,000	109,780	109,342	(438)
Total Other	<u>139,150</u>	<u>114,930</u>	<u>123,555</u>	<u>8,625</u>
ADVANCES FROM OTHER FUNDS	<u>- 0 -</u>	<u>362,471</u>	<u>- 0 -</u>	<u>(362,471)</u>
TRANSFER (TO) FROM LONG-TERM SAVINGS	<u>- 0 -</u>	<u>86,813</u>	<u>- 0 -</u>	<u>(86,813)</u>
TOTAL REVENUE	744,624	1,199,688	783,629	(416,059)
OTHER FINANCING SOURCES				
Proceeds from long-term obligations	- 0 -	81,000	87,458	6,458
TOTAL REVENUE AND OTHER FINANCING SOURCES	<u>\$ 744,624</u>	<u>\$ 1,280,688</u>	<u>\$ 871,087</u>	<u>\$ (409,601)</u>

See accompanying notes to required supplementary information

TOWN OF CHARLESTOWN

Schedule of Revenues and Expenditures Budget
(Non-GAAP and Budgetary Basis) and Actual General Fund (continued)
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT				
Administration				
Salary - regular	\$ 212,000	\$ 214,000	\$ 217,048	\$ (3,048)
Payroll taxes and benefits	113,450	118,450	113,964	4,486
Salary, payroll tax and benefits reimbursements-other funds	(81,082)	(81,082)	(81,082)	- 0 -
Presidential discretionary fund	2,000	2,000	1,892	108
Office supplies	3,800	3,800	3,785	15
Elections	900	900	829	71
Insurance	19,725	19,725	11,605	8,120
Other general government expenses	49,250	71,650	73,623	(1,973)
Office equipment	700	700	- 0 -	700
Office equipment repair and maintenance	1,750	4,750	5,075	(325)
Vehicle purchase	- 0 -	64,482	31,153	33,329
Vehicle reimbursement	- 0 -	7,105	7,105	- 0 -
Total Administration	322,493	426,480	384,997	41,483
Contract services				
Legal	3,500	3,500	2,640	860
Audit	18,000	20,000	20,236	(236)
Administration	3,500	4,500	4,548	(48)
Total Contract Services	25,000	28,000	27,424	576
Town buildings				
Repairs	3,000	3,000	793	2,207
Electric	5,000	5,000	7,110	(2,110)
Fuel	2,800	2,800	882	1,918
Telephone	3,300	3,300	4,134	(834)
Maintenance - improvements	9,600	7,100	6,060	1,040
Maintenance - contracts	12,000	10,000	9,895	105
Alarms	1,100	1,100	577	523
Historic property	4,500	4,500	4,500	- 0 -
Total Town Buildings	41,300	36,800	33,951	2,849
Planning and zoning				
Administration	10,000	23,500	23,424	76
Legal fees	10,000	2,500	2,472	28
Total Planning and Zoning	20,000	26,000	25,896	104
General services				
Trash collection	109,000	111,000	110,791	209
Total General Services	109,000	111,000	110,791	209
TOTAL GENERAL GOVERNMENT	\$ 517,793	\$ 628,280	\$ 583,059	\$ 45,221

See accompanying notes to required supplementary information

TOWN OF CHARLESTOWN

Schedule of Revenues and Expenditures Budget
(Non-GAAP and Budgetary Basis) and Actual General Fund (continued)
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC SAFETY				
Fire company	\$ 15,800	\$ 15,880	\$ 15,880	\$ - 0 -
Police protection	69,000	54,000	52,399	1,601
Total Public Safety	<u>84,800</u>	<u>69,880</u>	<u>68,279</u>	<u>1,601</u>
PARKS AND RECREATION				
Parks and recreations				
Electricity	1,150	1,150	830	320
Veterans Park improvements	1,000	1,000	449	551
Trinity Woods improvements	1,000	- 0 -	- 0 -	- 0 -
Fairgreen Park improvements	1,000	1,579	1,854	(275)
Shoreline erosion - Long Point	12,226	83,226	79,899	3,327
Other improvements	2,050	450,755	447,100	3,655
Contract maintenance	19,000	26,000	25,568	432
Equipment	- 0 -	- 0 -	- 0 -	- 0 -
Parking	500	500	144	356
Special events	5,000	4,000	2,438	1,562
Debt service	765	14,318	14,316	2
Total Parks and Recreation	<u>43,691</u>	<u>582,528</u>	<u>572,598</u>	<u>9,930</u>
ADVANCES TO SAVINGS	<u>48,247</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
TOTAL EXPENDITURES	<u><u>\$ 694,531</u></u>	<u><u>\$ 1,280,688</u></u>	<u><u>\$ 1,223,936</u></u>	<u><u>\$ 56,752</u></u>
SUMMARY				
TOTAL REVENUE AND OTHER FINANCING SOURCES	\$ 744,624	\$ 1,280,688	\$ 871,087	\$ (409,601)
TOTAL EXPENDITURES	<u>694,531</u>	<u>1,280,688</u>	<u>1,223,936</u>	<u>56,752</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ 50,093</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ (352,849)</u></u>	<u><u>\$ (352,849)</u></u>

TOWN OF CHARLESTOWN

Schedule of Revenues and Expenditures Budget
(Non-GAAP and Budgetary Basis) and Actual Special Revenue Fund
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OTHER LOCAL TAXES				
Boat docking & storage user fees	\$ 4,000	\$ 23,500	\$ 23,841	\$ 341
Total Other Local Taxes	<u>4,000</u>	<u>23,500</u>	<u>23,841</u>	<u>341</u>
INTERGOVERNMENTAL				
Highway user fee	15,000	55,000	53,551	(1,449)
Total Intergovernmental	<u>15,000</u>	<u>55,000</u>	<u>53,551</u>	<u>(1,449)</u>
RENTAL INCOME				
Slip rental	20,100	19,140	19,140	- 0 -
C-Dock rental	- 0 -	34,000	34,119	119
Total Rental Income	<u>20,100</u>	<u>53,140</u>	<u>53,259</u>	<u>119</u>
MISCELLANEOUS				
Cemetery burial lots	3,500	2,000	1,400	(600)
Vehicle reimbursement	9,921	9,921	9,921	- 0 -
Interest income	495	495	349	(146)
Total Miscellaneous	<u>13,916</u>	<u>12,416</u>	<u>11,670</u>	<u>(746)</u>
TOTAL REVENUE	53,016	144,056	142,321	(1,735)
ADVANCES FROM OTHER FUNDS	<u>132,000</u>	<u>54,519</u>	<u>- 0 -</u>	<u>(54,519)</u>
TOTAL REVENUE AND OTHER FINANCING SOURCES	<u>\$ 185,016</u>	<u>\$ 198,575</u>	<u>\$ 142,321</u>	<u>\$ (56,254)</u>

See accompanying notes to required supplementary information

TOWN OF CHARLESTOWN

Schedule of Revenues and Expenditures Budget
(Non-GAAP and Budgetary Basis) and Actual Special Revenue Fund (continued)
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
STREETS & LIGHTS				
Fuel	\$ 9,800	\$ 3,800	\$ 3,405	\$ 395
Repairs & maintenance	10,300	14,307	15,268	(961)
Road signs	1,500	1,500	1,561	(61)
Salaries	23,026	23,026	23,026	- 0 -
Snow Removal	3,500	3,500	3,969	(469)
Street	59,218	74,218	72,659	1,559
Street lights	24,000	24,000	24,654	(654)
Miscellaneous	100	3,200	3,009	191
Debt service	- 0 -	8,000	7,675	325
Capital expenses	- 0 -	- 0 -	- 0 -	- 0 -
Total Streets & Lights	<u>131,444</u>	<u>155,551</u>	<u>155,226</u>	<u>325</u>
TOWN PIER				
Contract maintenance	1,400	1,400	1,325	75
Electric	1,200	1,200	1,101	99
Legal expense	40,000	26,500	26,081	419
Repairs & maintenance	1,100	1,100	900	200
Salaries	2,162	2,162	2,162	- 0 -
Vehicles	110	110	110	- 0 -
Miscellaneous	- 0 -	- 0 -	- 0 -	- 0 -
Capital expenses	- 0 -	- 0 -	- 0 -	- 0 -
Total Town Pier	<u>45,972</u>	<u>32,472</u>	<u>31,679</u>	<u>793</u>
CEMETERY				
Contract maintenance	7,000	8,500	8,255	245
Electric	300	300	- 0 -	300
Repairs & maintenance	300	300	16	284
Salaries	- 0 -	1,346	1,346	- 0 -
Vehicles	- 0 -	106	106	- 0 -
Miscellaneous	- 0 -	- 0 -	- 0 -	- 0 -
Capital expenses	- 0 -	- 0 -	- 0 -	- 0 -
Total Cemetery	<u>7,600</u>	<u>10,552</u>	<u>9,723</u>	<u>829</u>
TOTAL EXPENDITURES	<u><u>\$ 185,016</u></u>	<u><u>\$ 198,575</u></u>	<u><u>\$ 196,628</u></u>	<u><u>\$ 1,947</u></u>
SUMMARY				
TOTAL REVENUE AND OTHER FINANCING SOURCES	\$ 185,016	\$ 198,575	\$ 142,321	\$ (56,254)
TOTAL EXPENDITURES	<u>185,016</u>	<u>198,575</u>	<u>196,628</u>	<u>1,947</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u><u>\$ - 0 -</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ (54,307)</u></u>	<u><u>\$ (54,307)</u></u>

See accompanying notes to required supplementary information

TOWN OF CHARLESTOWN

Notes to Required Supplementary Information
June 30, 2016

Formal budgetary accounting is employed as a management control for the Town's General, Special Revenue and Utility Funds. The annual budget for the General and Special Revenue Funds are prepared in accordance with the basis of accounting utilized by that fund. The budget for the Utility Fund, which is an enterprise fund, is adopted under a basis consistent with US GAAP, except that depreciation is not considered.

A comparison of the budget to actual results for the General Fund and Special Revenue Fund can be found as other required supplemental information immediately preceding these footnotes.

The budget for the Utility Fund is used primarily as a management tool and is not presented in these financial statements.

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

- 1) Prior to May 1 of each year, the Town Administrator submits to the Commissioners a proposed budget for the fiscal year commencing the following July 1. The budget includes requested expenditures and the means of financing them. The total anticipated revenue must equal or exceed total proposed expenditures.
- 2) No later than July 1, the budget is legally enacted by a favorable vote of at least a majority of a quorum of the Commissioners.
- 3) The Town Administrator is not authorized to make any transfers of budgeted amounts; any commitments which would result in a significant over-expenditure of an appropriation must be approved by the Commissioners.
- 4) All annual appropriations lapse at fiscal year-end.

General Fund:

	Revenues	Expenditures
Budgetary basis	\$ 1,280,688	\$ 1,280,688
Advances to other funds	(362,471)	- 0 -
Transfer from long-term savings	(86,813)	- 0 -
GAAP basis	\$ 831,404	\$ 850,998

Special Revenue Fund:

	Revenues	Expenditures
Budgetary basis	\$ 198,575	\$ 198,575
Advance from other funds	(54,519)	- 0 -
GAAP basis	\$ 144,056	\$ 198,575

The legal level of budgetary control is at the level of general classification of expenditure. The Town did not exceed its budget for the year ended June 30, 2016.