

**TOWN OF CHARLESTOWN**  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

# TOWN OF CHARLESTOWN

## CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management Discussion and Analysis	3-8
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Funds	11
Reconciliation of Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
Notes to Financial Statements	18-28
Required Supplementary Information:	
Schedule of Revenues and Expenditures Budget (Non-GAAP and Budgetary Basis) and Actual General Fund	29-31
Schedule of Revenues and Expenditures Budget (Non-GAAP and Budgetary Basis) and Actual Special Revenue Fund	32-33
Notes to Required Supplementary Information	34



## 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, 2015, 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, 2015, 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.

*Weyrick, Cronin & Sarra, Ltd.*

January 8, 2016  
Lutherville, MD

# TOWN OF CHARLESTOWN

## Management Discussion and Analysis June 30, 2015

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, 2015. 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 2015 fiscal year by \$5,465,843 (net position). Approximately 70% of this amount is attributable to the Utility Fund. Of the total net position, \$1,232,542 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors (104% of this amount is attributable to the Utility Fund), and \$4,221,801 is invested in capital assets, net of related debt. The remaining net position of \$11,500 has been restricted.

As of June 30, 2015, the Town's governmental funds reported combined ending deficit fund balances of \$26,761. Of this total amount, \$140,818 is a deficit from unassigned fund balance. While *nonspendable* and *assigned* fund balances have positive balances of \$12,994 and \$101,063 respectively. As of June 30, 2015, unassigned fund balance for the General Fund (primary operating fund) was \$612,704 or 77% of total General Fund expenditures.

The Town's total long-term debt, net of issuance and repayments, decreased by \$110,441 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 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, 2015

### **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 \$5,465,843 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 (78%) 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, 2015

For the fiscal year ended June 30, 2015, 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 \$45,643.

	Net Position						
	Governmental Activities		Business-type Activities		Totals - Primary Government		Total Percentage Change 2015-2014
	2015	2014	2015	2014	2015	2014	
<b>Assets</b>							
Current and other assets	\$ 623,834	\$ 633,344	\$ 737,577	\$ 526,685	\$ 1,361,411	\$ 1,160,029	17.36%
Capital assets	1,780,804	1,963,463	3,209,026	3,348,244	4,989,830	5,311,707	-6.06%
Other assets	(573,215)	(665,975)	573,215	665,975	- 0 -	- 0 -	0.00%
Total assets	1,831,423	1,930,832	4,519,818	4,540,904	6,351,241	6,471,736	-1.86%
<b>Liabilities</b>							
Current Liabilities	44,450	159,784	99,866	109,092	144,316	268,876	-46.33%
Long-term liabilities outstanding	124,785	107,875	616,297	651,555	741,082	759,430	-2.42%
Total liabilities	169,235	267,659	716,163	760,647	885,398	1,028,306	-13.90%
Deferred Inflows of Resources	- 0 -	18,000	- 0 -	- 0 -	- 0 -	18,000	-100.00%
<b>Net Position</b>							
Invested in capital assets, net of related debt	1,664,331	1,744,038	2,557,470	2,657,697	4,221,801	4,401,735	-4.09%
Restricted	11,500	11,500	- 0 -	- 0 -	11,500	11,500	0.00%
Unrestricted	(13,643)	(110,365)	1,246,185	1,122,560	1,232,542	1,012,195	21.77%
Total net position	\$ 1,662,188	\$ 1,645,173	\$ 3,803,655	\$ 3,780,257	\$ 5,465,843	\$ 5,425,430	0.74%

# TOWN OF CHARLESTOWN

Management Discussion and Analysis  
June 30, 2015

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

	Changes in Net Position						Total Percentage Change 2015-2014
	Governmental Activities		Business-type Activities		Totals - Primary Government		
	2015	2014	2015	2014	2015	2014	
Revenues							
Program revenues:							
Charges for services	\$ 22,656	\$ 17,656	\$ 492,024	\$ 514,548	\$ 514,680	\$ 532,204	-3.29%
Operating Grants							
and Contributions	91,670	90,124	- 0 -	- 0 -	91,670	90,124	1.72%
Capital Grants and							
Contributions	59,215	18,785	- 0 -	- 0 -	59,215	18,785	0.00%
General revenues:							
Property and other taxes	568,939	503,090	- 0 -	- 0 -	568,939	503,090	13.09%
Rent income	164,041	101,485	- 0 -	54,420	164,041	155,905	5.22%
Miscellaneous	29,128	29,040	- 0 -	- 0 -	29,128	29,040	0.30%
Unrestricted investment							
earnings	2,475	1,303	103	231	2,578	1,534	68.06%
Special Items	(67,884)	(9,169)	- 0 -	(626)	(67,884)	(9,795)	593.05%
Total revenues	870,240	752,314	492,127	568,573	1,430,251	1,320,887	8.28%
Expenses							
General government	539,890	430,166	- 0 -	- 0 -	539,890	430,166	25.51%
Public safety	88,597	84,767	- 0 -	- 0 -	88,597	84,767	4.52%
Public works	155,150	227,781	- 0 -	- 0 -	155,150	227,781	-31.89%
Parks and recreation	69,588	57,847	- 0 -	- 0 -	69,588	57,847	20.30%
Water and sewer	- 0 -	- 0 -	468,729	485,645	468,729	485,645	-3.48%
Total expenses	853,225	800,561	468,729	485,645	1,321,954	1,286,206	2.78%
Change in Net Position	17,015	(48,247)	23,398	82,928	40,413	34,681	16.53%
Net position, beginning							
As previously reported	1,645,173	1,718,998	3,780,257	3,716,137	5,425,430	5,435,135	-0.18%
Adjustment to prior period	- 0 -	(25,578)	- 0 -	(18,808)	- 0 -	(44,386)	-100.00%
Net position, beginning - restated	1,645,173	1,693,420	3,780,257	3,697,329	5,425,430	5,390,749	0.64%
Net position, ending	\$ 1,662,188	\$ 1,645,173	\$ 3,803,655	\$ 3,780,257	\$ 5,465,843	\$ 5,425,430	0.74%

Governmental activities: General revenues & special items for the governmental activities were \$696,699 while total expenses, net of charges for services were \$679,684. The loss in net position for governmental activities was \$14,985.



## TOWN OF CHARLESTOWN

Management Discussion and Analysis  
June 30, 2015

### 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. At June 30, 2015, the Town's governmental funds reported a combined ending fund balance deficit of \$26,761, an increase of \$72,104 in comparison with the prior year. Of which, *unassigned fund balance* is a deficit of \$140,818 at June 30, 2015. Of the total fund balance, \$101,063 constitutes *assigned fund balance*, which is not available for spending at the government's discretion. The remainder of fund balance \$12,994 is *nonspendable* to indicate that it is not available for new spending because it has already been committed and dedicated for a restricted purpose, or is in a *nonspendable* form (prepaid expenses).

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 \$612,704. 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 77% of total General Fund expenditures. The fund balance of the Town of Charlestown's General Fund increased by \$97,420 during the current fiscal year. The Special Revenue Fund has a total fund deficit of \$742,022.

#### 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 \$3,803,655. 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 supplemental 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 fund.

#### 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, 2015

## 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, 2015 was \$4,989,830 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery, equipment, furniture, fixtures, vehicles and 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	\$ 420,702	\$ - 0 -	\$ 420,702
Historic Building and Artifacts	50,000	- 0 -	50,000
Building and improvements	1,230,110	- 0 -	1,230,110
Machinery and equipment	79,992	- 0 -	79,992
Water and sewer systems	- 0 -	3,209,026	3,209,026
<b>Total capital assets, net of depreciation</b>	<b>\$ 1,780,804</b>	<b>\$ 3,209,026</b>	<b>\$ 4,989,830</b>

### Debt administration

At June 30, 2015, the Town had two notes payable relating to Maryland Department of Housing and Community Development, Infrastructure Financing Bonds totaling \$592,200 and \$91,100, respectively. There was also a note payable to Maryland Department of Natural Resources for \$59,356; a note payable for the October 2014 purchase of the new vehicle in the amount of \$13,164; 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 \$12,209.

### Outstanding Debt

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Total outstanding debt</b>	<b>\$ 116,473</b>	<b>\$ 651,556</b>	<b>\$ 768,029</b>

### 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, 2015

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 550,577	\$ 617,413	\$ 1,167,990
Property taxes receivable	10,735	- 0 -	10,735
Due from other governments	17,189	- 0 -	17,189
Accounts receivable	43,839	- 0 -	43,839
Service charges receivable	- 0 -	116,672	116,672
Prepaid expenses	1,494	3,492	4,986
Total Current Assets	<u>623,834</u>	<u>737,577</u>	<u>1,361,411</u>
<b>CAPITAL ASSETS</b>			
Land, building and equipment	3,812,759	5,735,487	9,548,246
Less: accumulated depreciation	<u>(2,031,955)</u>	<u>(2,526,461)</u>	<u>(4,558,416)</u>
Total Capital Assets	<u>1,780,804</u>	<u>3,209,026</u>	<u>4,989,830</u>
<b>OTHER ASSETS</b>			
Advances to (from) other funds	<u>(573,215)</u>	573,215	- 0 -
Total Noncurrent Assets	<u>(573,215)</u>	<u>573,215</u>	<u>- 0 -</u>
<b>TOTAL ASSETS</b>	<u>1,831,423</u>	<u>4,519,818</u>	<u>6,351,241</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	36,178	60,874	97,052
Current portion - long term obligations	<u>8,272</u>	<u>38,992</u>	<u>47,264</u>
Total Current Liabilities	44,450	99,866	144,316
<b>NONCURRENT LIABILITIES</b>			
Security deposits	4,566	- 0 -	4,566
Long term obligations	<u>120,219</u>	<u>616,297</u>	<u>736,516</u>
<b>TOTAL LIABILITIES</b>	<u>169,235</u>	<u>716,163</u>	<u>885,398</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,664,331	2,557,470	4,221,801
Restricted	11,500	- 0 -	11,500
Unrestricted	<u>(13,643)</u>	<u>1,246,185</u>	<u>1,232,542</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,662,188</u>	<u>\$ 3,803,655</u>	<u>\$ 5,465,843</u>

See accompanying notes to financial statements

# TOWN OF CHARLESTOWN

Statement of Activities  
For the Year Ended June 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS:							
GOVERNMENTAL ACTIVITIES							
General government	\$ 539,890	\$ 17,915	\$ 41,688	\$ - 0 -	\$ (480,287)	\$ - 0 -	\$ (480,287)
Public safety	88,597	- 0 -	- 0 -	- 0 -	(88,597)	- 0 -	(88,597)
Public works	155,150	- 0 -	49,982	- 0 -	(105,168)	- 0 -	(105,168)
Parks and recreation	69,588	4,741	- 0 -	59,215	(5,632)	- 0 -	(5,632)
Total Governmental Activities	853,225	22,656	91,670	59,215	(679,684)	- 0 -	(679,684)
BUSINESS-TYPE ACTIVITIES							
Water and sewer system	468,729	492,024	- 0 -	- 0 -	- 0 -	23,295	23,295
Total Business-Type Activities	468,729	492,024	- 0 -	- 0 -	- 0 -	23,295	23,295
TOTAL PRIMARY GOVERNMENT	\$ 1,321,954	\$ 514,680	\$ 91,670	\$ 59,215	(679,684)	23,295	(656,389)
GENERAL REVENUES:							
Taxes:							
Property					443,665	- 0 -	443,665
Income and other					125,274	- 0 -	125,274
Rental income					164,041	- 0 -	164,041
Miscellaneous					29,128	- 0 -	29,128
Investment income					2,475	103	2,578
SPECIAL ITEMS:							
Court settlement - rental income					32,000	- 0 -	32,000
Gain on sale of other assets					25,213	- 0 -	25,213
Loss on disposal of capital assets					(125,097)	- 0 -	(125,097)
TOTAL GENERAL REVENUES & SPECIAL ITEMS					696,699	103	696,802
CHANGE IN NET POSITION					17,015	23,398	40,413
NET POSITION - BEGINNING					1,645,173	3,780,257	5,425,430
NET POSITION - ENDING					\$ 1,662,188	\$ 3,803,655	\$ 5,465,843

# TOWN OF CHARLESTOWN

## Balance Sheet Governmental Funds June 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 355,910	\$ 194,667	\$ 550,577
Property taxes receivable	10,735	- 0 -	10,735
Due from other governments	13,576	3,613	17,189
Accounts receivable	8,750	35,089	43,839
Prepaid expense	1,494	- 0 -	1,494
Advances to other funds	380,046	- 0 -	380,046
<b>TOTAL ASSETS</b>	<u><u>\$ 770,511</u></u>	<u><u>\$ 233,369</u></u>	<u><u>\$ 1,003,880</u></u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	\$ 31,234	\$ 4,944	\$ 36,178
Due to other funds	- 0 -	37,068	37,068
Security deposits	4,566	- 0 -	4,566
Advances from other funds	14,814	901,379	916,193
<b>Total Liabilities</b>	<u>50,614</u>	<u>943,391</u>	<u>994,005</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable property taxes	4,636	- 0 -	4,636
Unavailable rental income	- 0 -	32,000	32,000
<b>Total deferred inflows of resources</b>	<u>4,636</u>	<u>32,000</u>	<u>36,636</u>
<b>FUND BALANCES:</b>			
Nonspendable	1,494	11,500	12,994
Assigned	101,063	- 0 -	101,063
Unassigned	612,704	(753,522)	(140,818)
<b>Total Fund Balances</b>	<u>715,261</u>	<u>(742,022)</u>	<u>(26,761)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 770,511</u></u>	<u><u>\$ 233,369</u></u>	<u><u>\$ 1,003,880</u></u>

See accompanying notes to financial statements

**TOWN OF CHARLESTOWN**

Reconciliation of Governmental Funds to the Statement of Net Position  
June 30, 2015

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ (26,761)

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	\$ 3,812,759	
Less: accumulated depreciation	<u>(2,031,955)</u>	1,780,804

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		36,636
---	--	--------

Liabilities associated with compensated absences are not payable in the current period and are not reported in the governmental funds.		(12,018)
--	--	----------

Liabilities associated with the acquisition of capital assets are not reported in the governmental funds.		<u>(116,473)</u>
---	--	------------------

NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 1,662,188</u></u>
---	--	----------------------------

# TOWN OF CHARLESTOWN

## Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds For the Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Totals
REVENUES			
Property taxes	\$ 439,029	\$ - 0 -	\$ 439,029
Income taxes	119,460	- 0 -	119,460
Other local taxes	833	4,981	5,814
Licenses and permits	36,211	- 0 -	36,211
Intergovernmental	100,903	49,982	150,885
Rental Income	110,686	53,355	164,041
Miscellaneous	14,572	3,476	18,048
	<u>821,694</u>	<u>111,794</u>	<u>933,488</u>
Total Revenues			
EXPENDITURES			
Current operating			
General government	510,607	- 0 -	510,607
Public safety	80,062	- 0 -	80,062
Public works	- 0 -	123,529	123,529
Parks and recreation	30,722	- 0 -	30,722
Capital expenditures	59,566	18,407	77,973
Debt service - principal	112,116	6,243	118,359
Debt service - interest	1,317	4,338	5,655
	<u>794,390</u>	<u>152,517</u>	<u>946,907</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>27,304</u>	<u>(40,723)</u>	<u>(13,419)</u>
OTHER FINANCING SOURCES			
Proceeds from long-term obligations	- 0 -	15,407	15,407
Proceeds from sale of capital assets	3,000	- 0 -	3,000
Special items:			
Proceeds from sale of other assets	25,213	- 0 -	25,213
Proceeds from sale of historic property	41,903	- 0 -	41,903
	<u>70,116</u>	<u>15,407</u>	<u>85,523</u>
Total Other Financing Sources			
NET CHANGE IN FUND BALANCES	97,420	(25,316)	72,104
FUND BALANCES - BEGINNING	<u>617,841</u>	<u>(716,706)</u>	<u>(98,865)</u>
FUND BALANCES - ENDING	<u>\$ 715,261</u>	<u>\$ (742,022)</u>	<u>\$ (26,761)</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, 2015

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 72,104

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 depreciation expense of \$90,632 exceeded capital expenditures of \$77,973 in the current period. (12,659)

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. 118,359

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. (12,018)

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 of property taxes not received in the specified time period. 4,636

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 of rental income not received in the specified time period. 32,000

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. (15,407)

Governmental funds reports proceeds from the sale of fixed assets as other financing sources. On the Statement of Activities, the proceeds received by the sale are reduced by the carrying value of the respective fixed assets. This is the amount of carrying value remaining on the respective assets at the time of the sale. (170,000)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 17,015

See accompanying notes to financial statements



**TOWN OF CHARLESTOWN**Statement of Net Position - Proprietary Funds  
June 30, 2015

	Major Enterprise Fund Utility Fund	
<hr/>		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 617,413	
Service charges receivable	116,672	
Prepaid expenses	3,492	
Due from other funds	<u>37,068</u>	
Total Current Assets		\$ 774,645
CAPITAL ASSETS		
Land, building and equipment	5,735,487	
Less: accumulated depreciation	<u>(2,526,461)</u>	
Total Capital Assets		3,209,026
OTHER ASSETS		
Advances to other funds	<u>536,147</u>	<u>536,147</u>
TOTAL ASSETS		<u>4,519,818</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	60,874	
Current portion - long term obligations	<u>38,992</u>	
Total Current Liabilities		99,866
NONCURRENT LIABILITIES		
Long term obligations	<u>616,297</u>	
Total Noncurrent Liabilities		<u>616,297</u>
TOTAL LIABILITIES		<u>716,163</u>
NET POSITION		
Invested in capital assets, net of related debt	2,557,470	
Unrestricted	<u>1,246,185</u>	
TOTAL NET POSITION		\$ 3,803,655

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, 2015

	Major Enterprise Fund Utility Fund
OPERATING REVENUES	
Service fees	\$ 422,024
Total Operating Revenue	\$ 422,024
OPERATING EXPENSES	
Salaries	49,999
Maintenance	39,438
User fees - county	152,212
Contracted service	43,564
Utilities	19,261
General and administrative	3,835
Miscellaneous	4,790
Depreciation	139,218
Total Operating Expenses	452,317
OPERATING LOSS	(30,293)
NONOPERATING REVENUES (EXPENSES)	
Connection fees	70,000
Interest expense	(16,412)
Investment income	103
Total Nonoperating Revenue	53,691
CHANGE IN FUND NET POSITION	23,398
TOTAL NET POSITION - BEGINNING	3,780,257
TOTAL NET POSITION - ENDING	\$ 3,803,655

See accompanying notes to financial statements

# TOWN OF CHARLESTOWN

## Statement of Cash Flows - Proprietary Funds For the Year Ended June 30, 2015

	Major Enterprise Fund Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 405,640
Cash payments to suppliers for goods and services	(275,818)
Cash payments to general fund for salaries	<u>(46,266)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 83,556
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfer from other funds	<u>128,760</u>
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	128,760
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Repayments of bonds	(38,991)
Connection fees received	70,000
Interest payments and administrative fees paid on bond	<u>(16,412)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	14,597
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of interest	<u>103</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>103</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	227,016
CASH AND CASH EQUIVALENTS - BEGINNING	<u>390,397</u>
CASH AND CASH EQUIVALENTS - END	<u><u>\$ 617,413</u></u>
Reconciliation of operating loss to net cash flows from operating activities:	
Operating loss	\$ (30,293)
Add depreciation expense	\$ 139,218
Add accrued compensated absences	3,733
Increase in current assets	
Accounts receivable	(16,384)
Prepaid expenses	(3,492)
Increase (decrease) in current liabilities	
Accounts payable	<u>(9,226)</u>
Total adjustments	<u>113,849</u>
Net cash provided by operating activities	<u><u>\$ 83,556</u></u>

See accompanying notes to financial statements

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. 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 yearend). 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, 2015

## 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, 2015

## 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 which 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 consists primarily of rental income receivable.

### 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, 2015

### 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, 2015, 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, 2015, the Town maintained a balance of \$11,500, which is permanently restricted for the perpetual maintenance of the cemetery. In addition, there was \$1,494 in prepaid expenses recorded as nonspendable.

#### *Restricted*

This category includes amounts constrained by an external party, constitutional provision or enabling legislation. As of June 30, 2015, 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, 2015, 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 which has the authority to assign funds. As of June 30, 2015, the Town Commissioners have assigned \$101,063 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. As of June 30, 2015, the fund reported \$2,557,470 invested in capital assets.

#### *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, 2015, the Town did not have any assets to be reported in this category.

# TOWN OF CHARLESTOWN

## Notes to Financial Statements June 30, 2015

### 1. Summary of Significant Accounting Policies (continued)

#### Unrestricted

This category represents the net position of the Fund, which 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 and savings accounts, and investments in the Maryland Local Government Investment Pool.

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. 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, 2015, all pool holdings are in cash and cash equivalents.

#### 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, 2015, 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	276,706	276,706
Uninsured, collateral held by pledging Bank's Trust Department in Town's name	455,990	498,881
Maryland Local Government Investment Pool	<u>435,194</u>	<u>435,191</u>
	<u>\$ 1,167,990</u>	<u>\$ 1,210,778</u>

### 3. 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, 2015 consist of scheduled repayments from the Special Revenue Fund over the next twelve months totaling \$37,068.



# TOWN OF CHARLESTOWN

Notes to Financial Statements  
June 30, 2015

## 3. Interfund Receivables and Payables (continued)

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 consist of the following:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Utility fund	\$ - 0 -	\$ 14,814
Special fund	<u>380,046</u>	<u>- 0 -</u>
	<u>380,046</u>	<u>14,814</u>
Special Fund:		
Utility fund	- 0 -	558,401
General fund	<u>- 0 -</u>	<u>380,046</u>
	<u>- 0 -</u>	<u>938,447</u>
Utility Fund:		
General fund	14,814	- 0 -
Special fund	<u>558,401</u>	<u>- 0 -</u>
	<u>573,215</u>	<u>- 0 -</u>
Total	<u>\$ 953,261</u>	<u>\$ 953,261</u>

## 4. Capital Assets

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

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 420,702	\$ - 0 -	\$ - 0 -	\$ 420,702
Historic building & artifacts	220,000	- 0 -	(170,000)	50,000
Construction in progress – Athletic complex	18,785	- 0 -	(18,785)	- 0 -
Capital assets, being depreciated:				
Building and improvements	3,089,177	78,351	- 0 -	3,167,528
Machinery and equipment	<u>156,122</u>	<u>18,407</u>	<u>- 0 -</u>	<u>174,529</u>
Total	<u>3,904,786</u>	<u>96,758</u>	<u>(188,785)</u>	<u>3,812,759</u>
Less: Accumulated Depreciation:				
Buildings and improvements	1,863,181	74,237	- 0 -	1,937,418
Machinery and equipment	<u>78,142</u>	<u>16,395</u>	<u>- 0 -</u>	<u>94,537</u>
Total	<u>1,941,323</u>	<u>90,632</u>	<u>- 0 -</u>	<u>2,031,955</u>
Total capital assets	<u>\$ 1,963,463</u>			<u>\$ 1,780,804</u>

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

General Government	\$ 17,775
Public Safety	8,535
Parks & Recreation	38,866
Public Works	<u>25,456</u>
Total	<u>\$ 90,632</u>

# TOWN OF CHARLESTOWN

Notes to Financial Statements  
June 30, 2015

## 4. Capital Assets (continued)

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

	Balance June 30, 2014	Additions	Disposals	Balance June 30, 2015
Capital assets, being depreciated:				
Water systems	\$ 3,735,813	\$ - 0 -	\$ - 0 -	\$ 3,735,813
Sewer systems	1,999,674	- 0 -	- 0 -	1,999,674
Total	5,735,487	- 0 -	- 0 -	5,735,487
Less: Accumulated Depreciation:				
Water systems	1,468,582	98,589	- 0 -	1,567,171
Sewer systems	918,661	40,629	- 0 -	959,290
Total	2,387,243	139,218	- 0 -	2,526,461
Total capital assets	\$ 3,348,244			\$ 3,209,026

Depreciation expense for business-type activities for the year ended June 30, 2015 was \$139,218.

## 5. Long Term Obligations

The following is a summary of long term obligations as of June 30, 2015:

	Governmental Activities	Business-type Activities
Balance at beginning of year	\$ 219,425	\$ 690,547
Increases	27,425	3,733
Decreases	(118,359)	(38,991)
Balance at end of year	\$ 128,491	\$ 655,289
Bonds and notes payable	\$ 116,473	\$ 651,556
Compensated absences	12,018	3,733
Total long term obligations	\$ 128,491	\$ 655,289

The Town has the following bonds and notes payable at June 30, 2015:

### GOVERNMENTAL ACTIVITIES

#### *Deed of Trust Note:*

Funds disbursed October, 2009 to refinance the purchase of real property in the Town of Charlestown, the Historic Cecil Hotel. The loan is payable over 5 years with monthly principal and interest payments of \$625. Interest is payable at a variable rate of 1%, increasing to 3% by year 3. The loan includes a balloon payment due at the end of year five. The loan is secured by certain real property. Final maturity date is October 1, 2014. On October 28, 2014, the loan was paid in its entirety totaling \$111,353.

# TOWN OF CHARLESTOWN

Notes to Financial Statements  
June 30, 2015

## 5. Long Term Obligations (continued)

### *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, 2015:	\$	12,209
Less: current portion		<u>(763)</u>
Non-current portion	\$	<u>11,446</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, 2015:	\$	91,100
Less: current portion		<u>(4,500)</u>
Non-current portion	\$	<u>86,600</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, 2015:	\$	13,164
Less: current portion		<u>(3,009)</u>
Non-current portion	\$	<u>10,155</u>

## 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, 2015:	\$	592,200
Less: current portion		<u>(35,500)</u>
Non-current portion	\$	<u>556,700</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, 2015:	\$	59,356
Less: current portion		<u>(3,492)</u>
Non-current portion	\$	<u>55,864</u>

# TOWN OF CHARLESTOWN

## Notes to Financial Statements June 30, 2015

### 5. Long Term Obligations (continued)

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>
2016	\$ 8,272	\$ 3,175	\$ 11,447
2017	8,329	3,048	11,377
2018	8,388	2,912	11,300
2019	8,448	2,764	11,212
2020	6,542	2,618	9,160
2021 – 2025	28,815	10,845	39,660
2026 – 2030	33,315	6,210	39,525
2031 – 2032	14,364	816	15,180
Total	<u>\$ 116,473</u>	<u>\$ 32,388</u>	<u>\$ 148,861</u>

Interest expense totaled \$5,655 for the year ended June 30, 2015.

#### Business-Type Activities

<u>Fiscal years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 38,992	\$ 18,096	\$ 57,088
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 – 2025	228,160	58,484	286,644
2026 – 2030	214,160	19,302	233,462
2031 – 2032	6,976	- 0 -	6,976
Total	<u>\$ 651,556</u>	<u>\$ 161,916</u>	<u>\$ 813,472</u>

Interest expense totaled \$16,412 for the year ended June 30, 2015.

### 6. Restricted Net Position

#### Cemetery Reserve

The Town maintains a reserve permanently restricted to future cemetery maintenance. The balance as of June 30, 2015 was \$11,500.

### 7. 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.

# TOWN OF CHARLESTOWN

## Notes to Financial Statements June 30, 2015

### 7. Property Taxes (continued)

The tax rate for the fiscal year ended June 30, 2015, was \$.3334 and \$.8 per \$100 of assessed value for real and personal property, respectively.

### 8. 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, 2016	\$	136,337
2017		116,337
2018		86,649
2019		86,649
2020		86,649
Thereafter		<u>218,847</u>
Total	\$	<u>731,468</u>

### 9. 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, 2015 5 employees participated in the plan and the Town matched employee contributions of \$17,746.

### 10. 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, 2015, 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.

### 11. 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

12. Environmental Concerns

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

13. Subsequent Events

In September 2015, the Town entered into a settlement agreement regarding rental income owed to the Town from local marinas in the amount of \$32,000. Quarterly payments will be made to the Town through July 2017.

In August 2015, the Town purchased land and riparian rights totaling \$434,500. The purchase was financed internally by the Town.

In preparing these financial statements, management has evaluated events and transactions for potential recognition through January 8, 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, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>TAXES</b>				
Local property taxes				
Property taxes	\$ 434,355	\$ 434,355	\$ 439,029	\$ 4,674
Total Local Taxes	434,355	434,355	439,029	4,674
Other taxes				
Income taxes	76,720	76,720	119,460	42,740
Admissions and amusements	810	810	833	23
Total Other Taxes	77,530	77,530	120,293	42,763
<b>TOTAL TAXES</b>	<b>511,885</b>	<b>511,885</b>	<b>559,322</b>	<b>47,437</b>
<b>LICENSES AND PERMITS</b>				
Traders	275	275	- 0 -	(275)
Licenses and permits	10,500	10,500	17,915	7,415
Cable television rebate	13,065	13,065	18,296	5,231
Total Licenses and Permits	23,840	23,840	36,211	12,371
<b>INTERGOVERNMENTAL</b>				
County tax differential	35,625	35,625	35,626	1
County trash rebate	4,010	4,010	4,062	52
State of MD critical areas	2,000	2,000	2,000	- 0 -
State of MD grants	- 0 -	75,000	59,215	(15,785)
Total State	41,635	116,635	100,903	(15,732)
<b>OTHER</b>				
Interest income	505	505	1,799	1,294
Miscellaneous	4,500	4,500	12,773	8,273
Rental income	160,365	160,365	110,686	(49,679)
Total Other	165,370	165,370	125,258	(40,112)
<b>TRANSFER (TO) FROM LONG-TERM SAVINGS</b>	<b>118,440</b>	<b>120,440</b>	<b>- 0 -</b>	<b>(120,440)</b>
<b>TOTAL REVENUE</b>	<b>861,170</b>	<b>938,170</b>	<b>821,694</b>	<b>(116,476)</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	- 0 -	- 0 -	3,000	3,000
Proceeds from sale of other assets	- 0 -	- 0 -	25,213	25,213
Proceeds from sale of historic property	- 0 -	- 0 -	41,903	41,903
<b>TOTAL REVENUE AND OTHER FINANCING SOURCES</b>	<b>\$ 861,170</b>	<b>\$ 938,170</b>	<b>\$ 891,810</b>	<b>\$ (46,360)</b>

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, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT				
Administration				
Salary - regular	\$ 224,140	\$ 224,140	\$ 207,739	\$ 16,401
Payroll taxes and benefits	105,835	105,835	109,076	(3,241)
Salary, payroll tax and benefits reimbursements-other funds	(79,200)	(79,200)	(73,404)	(5,796)
Presidential discretionary fund	4,000	4,000	1,100	2,900
Office supplies	3,770	3,770	2,703	1,067
Elections	560	560	892	(332)
Insurance	18,900	18,900	12,694	6,206
Other general government expenses	27,615	27,615	56,512	(28,897)
Office equipment	500	500	364	136
Office equipment repair and maintenance	19,225	19,225	750	18,475
Vehicle reimbursement	7,035	7,035	7,035	- 0 -
Total Administration	332,380	332,380	325,461	6,919
Contract services				
Legal	2,850	2,850	1,454	1,396
Audit	16,605	16,605	17,000	(395)
Administration	2,880	2,880	6,416	(3,536)
Total Contract Services	22,335	22,335	24,870	(2,535)
Town buildings				
Repairs	3,460	3,460	437	3,023
Electric	6,100	6,100	9,465	(3,365)
Fuel	2,850	2,850	1,362	1,488
Telephone	3,300	3,300	3,655	(355)
Maintenance - improvements	39,005	39,005	8,653	30,352
Maintenance - contracts	3,850	3,850	13,310	(9,460)
Alarms	585	585	887	(302)
Debt service	112,185	112,185	112,670	(485)
Historic property	6,500	6,500	5,989	511
Total Town Buildings	177,835	177,835	156,428	21,407
Planning and zoning				
Administration	10,000	10,000	11,838	(1,838)
Legal fees	10,000	10,000	8,383	1,617
Total Planning and Zoning	20,000	20,000	20,221	(221)
General services				
Trash collection	101,130	101,130	96,297	4,833
Total General Services	101,130	101,130	96,297	4,833
TOTAL GENERAL GOVERNMENT	\$ 653,680	\$ 653,680	\$ 623,277	\$ 30,403

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, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>PUBLIC SAFETY</b>				
Fire company	\$ 10,800	\$ 10,800	\$ 10,880	\$ (80)
Police protection	63,500	65,500	69,182	(3,682)
Total Public Safety	74,300	76,300	80,062	(3,762)
<b>PARKS AND RECREATION</b>				
Parks and recreations				
Electricity	1,100	1,100	1,170	(70)
Veterans Park improvements	1,000	1,000	790	210
Trinity Woods improvements	1,000	1,000	241	759
Fairgreen Park improvements	3,000	3,000	792	2,208
Shoreline erosion - Stone Wharf	763	763	763	- 0 -
Other improvements	16,315	91,315	62,401	28,914
Contract maintenance	18,340	18,340	19,498	(1,158)
Parks and recreation other	- 0 -	- 0 -	114	(114)
Special events	4,500	4,500	5,282	(782)
Total Parks and Recreation	46,018	121,018	91,051	29,967
<b>ADVANCES TO OTHER FUNDS</b>	87,172	87,172	- 0 -	87,172
<b>TOTAL EXPENDITURES</b>	<u>\$ 861,170</u>	<u>\$ 938,170</u>	<u>\$ 794,390</u>	<u>\$ 143,780</u>
<b>SUMMARY</b>				
<b>TOTAL REVENUE AND OTHER FINANCING SOURCES</b>	\$ 861,170	\$ 938,170	\$ 891,810	\$ (46,360)
<b>TOTAL EXPENDITURES</b>	<u>861,170</u>	<u>938,170</u>	<u>794,390</u>	<u>143,780</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 97,420</u>	<u>\$ 97,420</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 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OTHER LOCAL TAXES				
Boat docking & storage user fees	\$ 2,959	\$ 2,959	\$ 4,981	\$ 2,022
Total Other Local Taxes	2,959	2,959	4,981	2,022
INTERGOVERNMENTAL				
Highway user fee	49,849	49,849	49,982	133
Total Intergovernmental	49,849	49,849	49,982	133
RENTAL INCOME				
Slip rental	15,180	15,180	16,821	1,641
C-Dock rental	- 0 -	- 0 -	36,534	36,534
Total Rental Income	15,180	15,180	53,355	38,175
MISCELLANEOUS				
Cemetery burial lots	9,100	9,100	2,800	(6,300)
Vehicle reimbursement	9,760	9,760	- 0 -	(9,760)
Interest income	491	491	676	185
Total Miscellaneous	19,351	19,351	3,476	(15,875)
TOTAL REVENUE	87,339	87,339	111,794	24,455
OTHER FINANCING SOURCES				
Proceeds from long term obligations	- 0 -	- 0 -	15,407	15,407
Proceeds from sale of historic property	- 0 -	- 0 -	- 0 -	- 0 -
Total Other Financing Sources	- 0 -	- 0 -	15,407	15,407
ADVANCES FROM OTHER FUNDS	93,507	93,507	- 0 -	(93,507)
TOTAL REVENUE AND OTHER FINANCING SOURCES	\$ 180,846	\$ 180,846	\$ 127,201	\$ (53,645)

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, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>STREETS &amp; LIGHTS</b>				
Fuel	\$ 9,765	\$ 9,765	\$ 5,565	\$ 4,200
Repairs & maintenance	9,845	9,845	17,403	(7,558)
Road signs	1,500	1,500	250	1,250
Salaries	22,575	22,575	19,377	3,198
Snow Removal	3,290	3,290	2,358	932
Street	2,549	2,549	6,676	(4,127)
Street lights	22,554	22,554	21,463	1,091
Miscellaneous	50	50	18,415	(18,365)
Debt service	7,068	7,068	10,581	(3,513)
Capital expenses	18,986	18,986	- 0 -	18,986
	<u>98,182</u>	<u>98,182</u>	<u>102,088</u>	<u>(3,906)</u>
Advance to other funds	<u>49,849</u>	<u>49,849</u>	<u>- 0 -</u>	<u>49,849</u>
Total Streets & Lights	<u>148,031</u>	<u>148,031</u>	<u>102,088</u>	<u>45,943</u>
<b>TOWN PIER</b>				
Contract maintenance	1,215	1,215	1,275	(60)
Electric	1,100	1,100	1,051	49
Legal expense	15,000	15,000	35,556	(20,556)
Repairs & maintenance	1,000	1,000	664	336
Salaries	2,120	2,120	1,965	155
Vehicles	105	105	34	71
Miscellaneous	50	50	- 0 -	50
Capital expenses	2,640	2,640	- 0 -	2,640
Total Town Pier	<u>23,230</u>	<u>23,230</u>	<u>40,545</u>	<u>(17,315)</u>
<b>CEMETERY</b>				
Contract maintenance	6,810	6,810	8,035	(1,225)
Electric	225	225	- 0 -	225
Repairs & maintenance	150	150	498	(348)
Salaries	1,320	1,320	1,223	97
Vehicles	105	105	56	49
Miscellaneous	185	185	72	113
Capital expenses	790	790	- 0 -	790
Total Cemetery	<u>9,585</u>	<u>9,585</u>	<u>9,884</u>	<u>(299)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 180,846</u>	<u>\$ 180,846</u>	<u>\$ 152,517</u>	<u>\$ 28,329</u>
<b>SUMMARY</b>				
<b>TOTAL REVENUE AND OTHER FINANCING SOURCES</b>	\$ 180,846	\$ 180,846	\$ 127,201	\$ (53,645)
<b>TOTAL EXPENDITURES</b>	<u>180,846</u>	<u>180,846</u>	<u>152,517</u>	<u>28,329</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ (25,316)</u>	<u>\$ (25,316)</u>

See accompanying notes to required supplementary information

# TOWN OF CHARLESTOWN

## Notes to Required Supplementary Information June 30, 2015

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:

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis	\$ 938,170	\$ 938,170
Advances to other funds	- 0 -	(87,172)
Transfer from long-term savings	<u>(120,440)</u>	<u>- 0 -</u>
GAAP basis	<u>\$ 817,730</u>	<u>\$ 850,998</u>

### Special Revenue Fund:

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis	\$ 180,846	\$ 180,846
Advances to other funds	- 0 -	(49,849)
Advance from other funds	<u>(93,507)</u>	<u>- 0 -</u>
GAAP basis	<u>\$ 87,339</u>	<u>\$ 130,997</u>

The legal level of budgetary control is at the level of general classification of expenditure. The Town exceeded its budget at June 30, 2015 as follows:

General Fund	
Public safety	\$ 3,762
Special Revenue Fund	
Streets & lights	\$ 3,906
Pier	17,315
Cemetery	299