

TOWN OF CHARLESTOWN
AUDIT REPORT
JUNE 30, 2010

TOWN OF CHARLESTOWN

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Town Council
Town of Charlestown

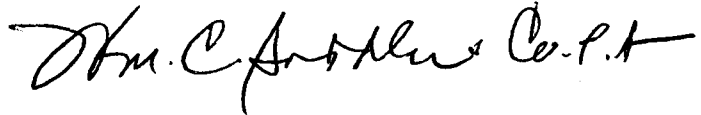
We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Charlestown as of and for the year ended June 30, 2010, which collectively comprise the Town of Charlestown's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Charlestown's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Mayor and Town Council
Town of Charlestown

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 35 through 37, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



WM. C. SADDLER & CO., P.A.
September 13, 2010

TOWN OF CHARLESTOWN, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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, 2010. 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 2010 fiscal year by \$5,343,904 (net assets). Approximately 66% of this amount is attributable to the Utility Fund. Of the total net assets, \$1,286,275 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors (60% of this amount is attributable to the Utility Fund), and \$4,046,129 is invested in capital assets, net of related debt. As of June 30, 2010, the Town's governmental funds reported combined ending fund balances of \$519,938. Of this total amount, \$508,438 or 98% is available to meet the Town's current and future needs and is unreserved and undesignated fund balance. As of June 30, 2010, unreserved, undesignated fund balance for the General Fund (primary operating fund) was \$474,245 or 64% of total General Fund expenditures. The Town's total long-term debt decreased by (\$36,145) 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. The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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.

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 its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 12-15. The budgetary comparison can be found as other required supplementary information on pages 35-37.

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 governmental-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 16 - 19 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 20- 34 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 fund as *required supplementary information* on pages 35 -37.

Government-wide Financial Analysis

As noted earlier, net assets 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 \$5,343,904 at the close of the current fiscal year. The Town of Charlestown's net assets are divided into three categories - invested in capital assets, net of related debt, restricted and unrestricted net assets. The largest portion of the Town's net assets (76%) reflects its investment in capital assets (e.g., land, improvements, buildings, machinery, equipment, vehicles, and sewer system), less accumulated depreciation and any unmatured 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 assets are resources that are subject to external restrictions on how they may be used.

For the fiscal year ended June 30, 2010, the Town reported positive balances in all categories of net assets, for the Town as a whole.

	Net Assets						Total Percentage Change 2010-2009						
	Governmental Activities		Business-type Activities		Totals - Primary Government								
	2010	2009	2010	2009	2010	2009							
Assets													
Current and other assets	\$	545,318	\$	675,623	\$	821,965	\$	921,089	\$	1,367,283	\$	1,596,712	-14.37%
Capital assets		1,691,220		1,794,566		3,566,770		3,105,686		5,257,990		4,900,252	7.30%
Total assets		2,236,538		2,470,189		4,388,735		4,026,775		6,625,273		6,496,964	1.97%
Liabilities													
Long-term liabilities outstanding		136,783		124,098		773,021		800,213		909,804		924,311	-1.57%
Other liabilities		300,245		333,112		71,320		61,683		371,565		394,795	-5.88%
Total liabilities		437,028		457,210		844,341		861,896		1,281,369		1,319,106	-2.86%
Net Assets													
Invested in capital assets, net of related debt		1,279,572		1,361,398		2,766,557		2,279,181		4,046,129		3,640,579	11.14%
Restricted		11,500		11,500						11,500		11,500	0.00%
Unrestricted		508,438		640,081		777,837		885,698		1,286,275		1,525,779	-15.70%
Total net assets	\$	1,799,510	\$	2,012,979	\$	3,544,394	\$	3,164,879	\$	5,343,904	\$	5,177,858	3.21%

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

Changes in Net Assets							
	Governmental Activities		Business-type Activities		Totals - Primary Government		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2010-2009
Revenues							
Program revenues:							
Charges for services	\$ 31,806	\$ 47,434	\$ 417,002	\$ 305,743	\$ 448,808	\$ 353,177	27.08%
Operating Grants and Contributions	41,108	551,237			41,108	551,237	-92.54%
Capital Grants and Contributions	12,455	35,585			12,455	35,585	-65.00%
General revenues:							
Property and other taxes	401,127	370,844			401,127	370,844	8.17%
Rent income	57,165	52,145	47,322	47,322	104,487	99,467	5.05%
Miscellaneous	15,264	1,530			15,264	1,530	897.65%
Loss on disposal of asset							
Capital Asset Donation			583,997	300,000	300,000	300,000	
Unrestricted investment earnings	5,220	13,817	3,181	11,938	8,401	25,755	-67.38%
Total revenues	564,145	1,072,592	1,051,502	665,003	1,331,650	1,737,595	-23.36%
Expenses							
General government	474,564	374,455			474,564	374,455	26.73%
Parks and recreation	110,151	534,582			110,151	534,582	-79.39%
Public safety	77,422	61,399			77,422	61,399	26.10%
Public works	115,477	147,832			115,477	147,832	-21.89%
Water and sewer			671,987	669,674	671,987	669,674	0.35%
Total expenses	777,614	1,118,268	671,987	669,674	1,449,601	1,787,942	-18.92%
Increase in net assets	(213,469)	(45,676)	379,515	(4,671)	166,046	(50,347)	-429.80%
Net assets, beginning	2,012,979	2,058,655	3,164,879	3,169,550	5,177,858	5,228,205	-0.96%
Net assets, ending	\$ 1,799,510	\$ 2,012,979	\$ 3,544,394	\$ 3,164,879	\$ 5,343,904	\$ 5,177,858	3.21%

Governmental activities: General revenues for the governmental activities were \$478,776, while total expenses, net of charges for services were \$692,245. The loss in net assets for governmental activities was (\$213,469).

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, 2010, was \$5,257,990 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, furniture, fixtures, vehicles, and water and sewer system.

The following table of the Town's capital assets is listed below. Additional information can be found in Note 4 on page 30 of this report.

Capital Assets (net of depreciation)			
	Governmental Activities	Business-Type Activities	Total
Land	\$ 420,702	\$ -	\$ 420,702
Historic Building and Artifacts	220,000		220,000
Building and improvements	1,003,762	-	1,003,762
Machinery and equipment	46,755		46,755
Water and sewer systems	-	3,566,770	3,566,770
Total net assets, net of depreciation	\$ 1,691,219	\$ 3,566,770	\$ 5,257,989

Debt administration. At June 30, 2010, the Town had a note payable relating to Maryland Department of Housing and Community Development, Infrastructure Financing Bonds totaling \$723,400. There was also a note payable to Maryland Department of Natural Resources for \$76,813. A note payable for the December 2008 purchase of the Historic Cecil Hotel in the amount of \$131,375. A new project financing loan payable to the Maryland Department of Natural Resources for the September 2009 financing of the Stone Warf Project in the amount of \$11,413 which represents the amount spent and disbursed to the Town.

Outstanding Debt		
	Business-Type Activities	Total
Total bonds payable	\$ 800,213	\$ 800,213

Requests 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 requests 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 ASSETS
JUNE 30, 2010

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTALS</u>
ASSETS			
CURRENT ASSETS			
Cash & Cash Equivalents	\$ 677,673	\$ 589,871	\$ 1,267,544
Service Charges Receivable		67,928	67,928
Accounts Receivable	11,171		11,171
Due from Other Governments	1,491		1,491
Internal Balances	(145,017)	145,017	0
Other Assets		19,149	19,149
TOTAL CURRENT ASSETS	<u>545,318</u>	<u>821,965</u>	<u>1,367,283</u>
CAPITAL ASSETS			
Land, Building & Equipment	3,364,453	5,478,421	8,842,874
Less: Accumulated Depreciation	(1,673,233)	(1,911,651)	(3,584,884)
TOTAL CAPITAL ASSETS	<u>1,691,220</u>	<u>3,566,770</u>	<u>5,257,990</u>
TOTAL ASSETS	<u>2,236,538</u>	<u>4,388,735</u>	<u>6,625,273</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable & Accrued Expenses	25,380	44,128	69,508
Unearned Revenue	268,860		268,860
Current Portion - Bond Payable		27,192	27,192
Current Portion - Note Payable	6,005		6,005
TOTAL CURRENT LIABILITIES	<u>300,245</u>	<u>71,320</u>	<u>371,565</u>
NONCURRENT LIABILITIES			
Bonds Payable, Net of Current Portion		773,021	773,021
Note Payable, Net of Current Portion	136,783		136,783
TOTAL LIABILITIES	<u>437,028</u>	<u>844,341</u>	<u>1,281,369</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,279,572	2,766,557	4,046,129
Restricted	11,500		11,500
Unrestricted	508,438	777,837	1,286,275
TOTAL NET ASSETS	<u>\$ 1,799,510</u>	<u>\$ 3,544,394</u>	<u>\$ 5,343,904</u>

See accompanying notes and auditors' report.

TOWN OF CHARLESTOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
General Government	\$ 474,564	\$ 31,806	\$ 34,101	\$ 10,000	\$ (398,657)	\$	\$ (398,657)
Public Safety	77,422				(77,422)		(77,422)
Public Works	115,477		7,007		(108,470)		(108,470)
Parks & Recreation	110,151			2,455	(107,696)		(107,696)
TOTAL GOVERNMENTAL ACTIVITIES	777,614	31,806	41,108	12,455	(692,245)		(692,245)
BUSINESS-TYPE ACTIVITIES							
Water & Sewer System	671,987	417,002				(254,985)	(254,985)
TOTAL BUSINESS-TYPE ACTIVITIES	671,987	417,002	0	0	0	(254,985)	(254,985)
TOTAL PRIMARY GOVERNMENT	\$ 1,449,601	\$ 448,808	\$ 41,108	\$ 12,455	(692,245)	(254,985)	(947,230)
GENERAL REVENUES							
Taxes:							
Property					334,818		334,818
Income & Other					66,309		66,309
Rental Income					57,165	47,322	104,487
Miscellaneous					15,264		15,264
Capital Asset Donation						583,997	583,997
Investment Income					5,220	3,181	8,401
TOTAL GENERAL REVENUES					478,776	634,500	1,113,276
CHANGE IN NET ASSETS					(213,469)	379,515	166,046
NET ASSETS - BEGINNING					2,012,979	3,164,879	5,177,858
NET ASSETS - ENDING					\$ 1,799,510	\$ 3,544,394	\$ 5,343,904

See accompanying notes and auditors' report.

TOWN OF CHARLESTOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	GENERAL FUND	SPECIAL FUND	TOTAL GOVERNMENTAL FUNDS
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash & Cash Equivalents	\$ 468,388	\$ 209,285	\$ 677,673
Interfund Receivables	215,135		215,135
Accounts Receivable	1,510	3,100	4,610
Property Taxes Receivable	6,561		6,561
Due from Other Governments	1,491		1,491
Due from Other Funds		50,993	50,993
TOTAL ASSETS	\$ <u>693,085</u>	\$ <u>263,378</u>	\$ <u>956,463</u>
LIABILITIES & FUND BALANCES			
Accounts Payable & Accrued Expenses	\$ 22,830	2,550	\$ 25,380
Interfund Payable		215,135	215,135
Due to Other Funds	196,010		196,010
TOTAL LIABILITIES	<u>218,840</u>	<u>217,685</u>	<u>436,525</u>
FUND BALANCES			
Reserved		11,500	11,500
Unreserved	474,245	34,193	508,438
TOTAL FUND BALANCES	<u>474,245</u>	<u>45,693</u>	<u>519,938</u>
TOTAL LIABILITIES & FUND BALANCES	\$ <u>693,085</u>	\$ <u>263,378</u>	\$ <u>956,463</u>

See accompanying notes and auditors' report.

TOWN OF CHARLESTOWN
RECONCILIATION OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2010

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	519,938
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Amounts reported for Governmental Activities
in the Statement of Net Assets 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	\$	3,364,453	
Less Accumulated Depreciation		<u>(1,673,233)</u>	1,691,220

Liabilities associated with the acquisition of capital assets are not reported in the governmental funds.	(142,788)
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Revenue that is deferred in the governmental
activities because they have not been earned.
This is the amount of lease payments which
were used to construct capital assets under
lease.

<u>(268,860)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,799,510</u></u>
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See accompanying notes and auditors' report.

TOWN OF CHARLESTOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>GENERAL FUND</u>	<u>SPECIAL FUND</u>	<u>Totals</u>
REVENUES			
Property Taxes	\$ 334,818	\$	\$ 334,818
Income Taxes	65,200		65,200
Other Local Taxes	1,109		1,109
Licenses & Permits	31,806		31,806
Intergovernmental	46,556	7,007	53,563
Miscellaneous	36,340	28,641	64,981
	<u>515,829</u>	<u>35,648</u>	<u>551,477</u>
TOTAL REVENUES			
EXPENDITURES			
Current Operating			
General Government	626,078		626,078
Public Safety	68,454		68,454
Parks & Recreation	49,874		49,874
Capital Outlay	2,360	18,778	21,138
Special Revenue Fund		65,990	65,990
	<u>746,766</u>	<u>84,768</u>	<u>831,534</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(230,937)</u>	<u>(49,120)</u>	<u>(280,057)</u>
OTHER FINANCING SOURCES & USES			
Reimbursements from Other Funds	4,500	(3,500)	1,000
Loan Proceeds	147,413		147,413
	<u>151,913</u>	<u>(3,500)</u>	<u>148,413</u>
TOTAL OTHER FINANCING SOURCES & USES			
NET CHANGE IN FUND BALANCES	(79,024)	(52,620)	(131,644)
FUND BALANCES - BEGINNING	<u>553,269</u>	<u>98,313</u>	<u>651,582</u>
FUND BALANCES - ENDING	\$ <u>474,245</u>	\$ <u>45,693</u>	\$ <u>519,938</u>

See accompanying notes and auditors' report.

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, 2010

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ (131,644)

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 of \$124,485 exceeded
capital outlays of \$21,138 in the current period. (103,347)

Proceeds from notes payable of \$147,413, net of
principal payments of \$157,266, were utilized
to acquire capital assets. 9,853

Revenues previously deferred in the governmental
activities, which were earned during the
current period. 11,668

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (213,470)

See accompanying notes and auditors' report.

TOWN OF CHARLESTOWN
STATEMENT OF NET ASSETS
MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>UTILITY FUND</u>
ASSETS	
CURRENT ASSETS	
Cash & Cash Equivalents	\$ 589,871
Service Charges Receivable	67,928
Other Assets	19,149
Due from Other Funds	<u>145,017</u>
TOTAL CURRENT ASSETS	<u>821,965</u>
CAPITAL ASSETS	
Land, Building & Equipment	5,478,421
Less: Accumulated Depreciation	<u>(1,911,651)</u>
TOTAL CAPITAL ASSETS	<u>3,566,770</u>
TOTAL ASSETS	<u>4,388,735</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	44,128
Current Portion, Bonds Payable	<u>27,192</u>
TOTAL CURRENT LIABILITIES	<u>71,320</u>
NONCURRENT LIABILITIES	
Bonds Payable, Net of Current Portion	<u>773,021</u>
TOTAL NONCURRENT LIABILITIES	<u>773,021</u>
TOTAL LIABILITIES	<u>844,341</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,766,557
Unrestricted	<u>777,837</u>
TOTAL NET ASSETS	<u>\$ 3,544,394</u>

See accompanying notes and auditors' report.

TOWN OF CHARLESTOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>UTILITY FUNDS</u>
OPERATING REVENUES	
Service Fees	\$ 266,387
Connection Fees & Misc. Charges	<u>150,615</u>
TOTAL OPERATING REVENUE	<u>417,002</u>
OPERATING EXPENSES	
Salaries	100,000
Maintenance	250,552
User Fees - County	96,421
Contracted Service	44,113
Utilities	17,540
General & Administrative	1,905
Miscellaneous	447
Depreciation & Amortization	<u>122,908</u>
TOTAL OPERATING EXPENSES	<u>633,886</u>
OPERATING INCOME (LOSS)	<u>(216,884)</u>
NONOPERATING REVENUES (EXPENSES)	
Capital Asset Donation	583,997
Rental Income	47,322
Interest Expense	(38,101)
Investment Income	<u>3,181</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>596,399</u>
CHANGE IN NET ASSETS	379,515
TOTAL NET ASSETS - BEGINNING	<u>3,164,879</u>
TOTAL NET ASSETS - ENDING	<u>\$ 3,544,394</u>

See accompanying notes and auditors' report.

TOWN OF CHARLESTOWN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>UTILITY FUNDS</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 421,951
Cash Payments to Suppliers for Goods & Services	(402,241)
Cash Payments to General Fund for Salaries	<u>(100,000)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(80,290)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>0</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Repayments of Bonds	(26,292)
Rental Income Received	47,322
Interest Payments and Administrative Fees Paid on Bond	<u>(37,071)</u>
NET CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	<u>(16,041)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of Interest	<u>3,181</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>3,181</u>
NET DECREASE IN CASH	(93,150)
CASH & CASH EQUIVALENTS - BEGINNING	<u>683,021</u>
CASH & CASH EQUIVALENTS - END	\$ <u>589,871</u>

See accompanying notes and auditors' report.

TOWN OF CHARLESTOWN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>UTILITY FUNDS</u>
Reconciliation of Operating Income to Net	
Cash Flows from Operating Activities	
Operating Income (Loss)	\$ (216,884)
Add Depreciation & Amortization Expense	122,908
(Increase) Decrease in Current Assets	
Accounts Receivable	4,944
Increase (Decrease) in Current Liabilities	
Accounts Payable	<u>8,742</u>
Net Cash Used by Operating Activities	\$ <u>(80,290)</u>

See accompanying notes and auditors' report.

TOWN OF CHARLESTOWN, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 provides the following services as authorized by its charter: General Government, Public Safety, Public Works, Parks and Recreation, and Water and Sewer Services.

The accounting policies of the Town of Charlestown, Maryland, conform to generally accepted accounting principles in the United States of America (GAAP) as applicable to local governments. The Town has elected not to apply to its proprietary activities, Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

FINANCIAL REPORTING ENTITY

The Town's financial statements include the accounts of all Town operations. The Town does not have any component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Changes in Net Assets report information on all of the non-fiduciary activities of the Town. Eliminations have been made to remove the effect of interfund activity from these statements. Governmental activities are those which are supported by taxes and intergovernmental revenues, whereas business-type activities are those supported through customer service charges. The Town's business-type activities consist of its water and sewer operations.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those specifically associated with a program or function. Program revenues include charges for services and grants and contributions restricted to

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONTINUED

the capital or operational requirements of specific programs or functions. Revenues that are not classified as program revenues, such as taxes, are reported as general revenues.

Separate financial statements are shown for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting is determined by its measurement focus. Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund financial statements also report using this same focus and basis of accounting. 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 of levy and grants are recognized when all eligibility requirements are met.

Governmental fund statements are presented using the flow of economic resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of the transaction that can be determined and available means collected within 60 days of the year-end. Expenditures are recorded when the related liability is incurred as in the accrual basis of accounting. However, principal and interest on long-term debt and expenditures for compensated absences are recorded when the payments are due.

Those revenues susceptible to accrual are property taxes, taxes collected by the state and county on behalf of the Town, franchise taxes, revenues from other agencies, interest revenue and charges for services. Fines and forfeitures, licenses, permits, penalties and interest (on property taxes) and other revenues become measurable and available when cash is received by the Town and are recognized as revenue at that time.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION - CONTINUED

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

FUND ACCOUNTING

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures or expenses. 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 following fund types are used by the Town:

Governmental Fund Types

General Fund

The General Fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in another fund are accounted for in the General Fund.

Special Revenue Fund

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

Proprietary Fund Types

Utility Fund

The Utility Fund is used to account for the operations of the Town's water and sewer system. Its operations are financed and operated in a manner similar to a private business enterprise where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

BUDGETS AND BUDGETARY ACCOUNTING

Formal budgetary accounting is employed as a management control for the Town's General Fund and Utility Fund. The annual budget for the General Fund is 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 GAAP, except that depreciation is not considered.

A comparison of the budget to actual results for the General Fund can be found as other required supplemental information immediately following 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.

BUDGETS AND BUDGETARY ACCOUNTING - CONTINUED

(4) All annual appropriations lapse at fiscal year-end.

The Town prepares its budget for the General Fund and accounts for certain transactions on a basis of GAAP. However, the Utility Fund's share of expenses is budgeted as revenue in the General Fund and the expenditures are budgeted at gross amounts. A reconciliation of GAAP to Budgetary Basis is as follows:

	<u>Revenues</u>	<u>Expenditures</u>
GAAP basis	\$ 618,450	\$ 642,266
Utility Fund reimbursements	101,000	101,000
Special Fund Reimbursements	<u>3,500</u>	<u>3,500</u>
Budgetary basis	\$ <u>722,950</u>	\$ <u>746,766</u>

The legal level of budgetary control is at the level of general classification of expenditure. The Town exceeded its budget at June 30, 2010 as follows:

Town Buildings	\$112,009
Planning & Zoning	16,632
General Services	3,442
Parks & Recreation	5,924

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows - Proprietary Fund type, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

ACCOUNTS RECEIVABLE

Governmental Funds

The accounts receivable in the general fund consists of property taxes and other amounts due from citizens of the Town.

Proprietary Fund

The accounts receivable of the Utility Fund consists of water and sewer charges. These balances are continually reviewed by Town management and are deemed fully collectible.

INTERFUND RECEIVABLES AND PAYABLES

The Town affects a variety of transactions between funds in its operations. To the extent that certain interfund transactions have not been received or disbursed, appropriate interfund receivables and payables have been established.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Capital assets, which include property, plant, and equipment, and infrastructure such as roads, storm drains, and pipe systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with a cost of more than \$2,500. Infrastructure, excluding roads, acquired prior to implementation of GASB Statement 34 has been reported. Such assets are valued at historical or estimated historical cost if actual historical cost is not available. 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 purchased by an enterprise fund since 1978 are directly capitalized in the enterprise fund and depreciation is recorded over the estimated useful life of the asset using the straight-line method of depreciation. Fixed assets acquired prior to that date are recorded at "estimated, historical, depreciated cost" or determined by professional engineers. The estimated useful lives are as follows:

CAPITAL ASSETS AND LONG-TERM LIABILITIES - CONTINUED

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

Long-term liabilities expected to be financed from governmental fund operations are accounted for in the government-wide financial statements, not in the governmental funds. Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Long-term liabilities incurred by the enterprise funds are expected to be repaid from revenues generated within these individual funds in future years. Therefore, the long-term liabilities incurred in the enterprise funds are recorded in the fund which incurred the debt.

FUND EQUITY

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as invested in capital (net of related debt), restricted and unrestricted.

PROPERTY TAXES

Taxpayers have the option to pay their real property tax in two installments. The first installment is due July 1 and the second installment is due December 31.

Taxes on real and personal property are levied on a fiscal year basis as of July 1. All unpaid taxes as of 90 days after the levy are subject to interest at 12% per annum. Delinquent property taxes are attached as an enforceable lien on the underlying properties. Property tax revenue is recognized in the year it is levied and becomes available, including amounts expected to be collected soon enough after the end of the year to be available to pay liabilities of the current period.

PROPERTY TAXES - CONTINUED

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. For fiscal 2010, the Town of Charlestown real property tax rate was \$.28 per \$100 of assessed value and the business personal property tax rate was \$.80 per \$100 of assessed value.

NOTE 1 - CASH AND INVESTMENTS

At year-end, the carrying amount of the Town's deposits was \$186,362 and the bank balance was \$191,265. Of the bank balance, the entire balance was covered by federal deposit insurance.

The Town is a participant of the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for the short-term investment of funds. A MLGIP advisory committee of current participants was formed to review, on a quarterly basis, the activities of the Pool and to provide suggestions to enhance the Pool. At June 30, 2010, the Town had \$1,081,082 deposited with the Pool.

Reconciliation of cash and cash equivalents as shown on the Statement of Net Assets:

Cash on Hand	\$	100
Carrying amount of deposits		186,362
Carrying amount of temporary investments		<u>1,081,082</u>

Total cash and cash equivalents per the Statement of Net Assets	\$	<u>1,267,544</u>
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Investment Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Town's exposure to fair value losses arising

Investment Rate Risk - CONTINUED

from increasing interest rates, the Town's investment policy limits the term of investment maturities between thirty days to one year in order to remain sufficiently liquid to enable the Town to meet all operating requirements which might be reasonably anticipated. Town management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Town from having to sell investments below original cost for that purpose.

Credit Risk

The investment policy of the Town permits investments in the following types of investments as authorized by the State of Maryland: direct U.S. obligations, U.S. agency obligations, repurchase agreements, bankers' acceptances, municipal securities, commercial paper, money market mutual funds and the MLGIP. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. It is rated AAA by Standard & Poor's, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The investments of the Town were not exposed to custodial credit risk at June 30, 2010.

NOTE 2 - RESERVED FUND BALANCE

Cemetery Reserve

The Town maintains a reserve restricted to future cemetery maintenance. The balance as of June 30, 2010 was \$11,500.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consist of the following:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 3,538	\$ 199,548
Special fund	215,135	-
	<u>218,673</u>	<u>199,548</u>
Special Fund		
Utility fund	50,993	-
General fund	-	215,135
	<u>50,993</u>	<u>215,135</u>
Utility Fund		
General fund	199,548	3,538
Special fund	-	50,993
	<u>199,548</u>	<u>54,531</u>
Total	\$ <u>469,214</u>	\$ <u>469,214</u>

NOTE 4 - CAPITAL ASSETS

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

	BALANCE JUNE 30, 2009	ADDITIONS AND TRANSFERS	BALANCE JUNE 30, 2010
Capital Assets, Not Being Depreciated			
Land	\$ 420,702	\$	\$ 420,702
Historic Building & Artifacts	220,000		220,000
Capital Assets, Being Depreciated			
Building and improvements	2,527,885	15,238	2,543,123
Machinery and equipment	174,728	5,900	180,628
Total assets being depreciated	3,343,315	21,138	3,364,453
Less Accumulated Depreciation:			
Buildings	(1,423,107)	(116,254)	(1,539,361)
Machinery and equipment	(125,642)	(8,231)	(133,873)
Total accumulated depreciation	(1,548,749)	(124,485)	(1,673,234)
Total capital assets	\$ 1,794,566	\$ (103,347)	\$ 1,691,219

There were no deletions or transfers out during the year.

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

General Government	\$ 5,752
Public Safety	8,969
Parks & Recreation	60,277
Public Works	49,487
Total	\$ 124,485

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

	BALANCE JUNE 30, 2009	ADDITIONS AND TRANSFERS	BALANCE JUNE 30, 2010
Capital Assets, Being Depreciated			
Water systems	\$ 3,181,935	\$ 298,229	\$ 3,480,164
Sewer systems	1,712,494	285,763	1,998,257
Total assets being depreciated	4,894,429	583,992	5,478,421
Less Accumulated Depreciation:			
Water systems	(1,079,571)	(75,481)	(1,155,052)
Sewer systems	(709,172)	(47,427)	(756,599)
Total accumulated depreciation	(1,788,743)	(122,908)	(1,911,651)
Total capital assets	\$ 3,105,686	\$ 461,084	\$ 3,566,770

There were no deletions or transfers out during the year.

NOTE 5 - BONDS AND NOTES PAYABLE

The following is a summary of the bonds and note payable as of June 30, 2010:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Amount payable at beginning of year	\$ 152,641	\$ 826,505
Advances	147,413	
Principal retirements	(<u>157,266</u>)	(<u>26,292</u>)
Amount payable at end of year	\$ <u>142,788</u>	\$ <u>800,213</u>

Notes payable consists of the following at June 30, 2010:

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. 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.

	\$ 131,375
Less Current Portion	(<u>5,539</u>)
Non-Current Portion	\$ <u>125,836</u>

Maryland Department of Natural Resources - Project Financing Loan:

Funds disbursed September 2009 to finance the Charlestown Stone Wharf Park project. Loan is interest-free, payable in 20 annual installments of \$1,466 beginning July 1 after completion of project. \$28,320 has been awarded for this project. However, as of June 30, 2010 only \$11,413 has been spent and disbursed to the Town.

	\$ 11,413
Less Current Portion	(<u>466</u>)
Non-Current Portion	\$ <u>10,947</u>

NOTE 5-BONDS AND NOTES PAYABLE (CONTINUED)

Business-Type Activities:

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

2000 Infrastructure Financing bond payable note paid in semi-annual payments with an increasing interest rate starting at 4.125% and ending with 5%, maturing May 1, 2029.

	\$ 723,400
Less current portion	(<u>23,700</u>)
Non-current portion	\$ <u>699,700</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.

	\$ 76,813
Less current portion	(<u>3,492</u>)
Non-current portion	\$ <u>73,321</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>
2011	\$ 6,005	\$ 3,248	\$ 9,253
2012	6,256	3,394	9,650
2013	6,184	3,567	9,751
2014	6,328	3,424	9,752
2015	112,932	833	113,765
2016 - 2019	5,083		5,083
Total	<u>\$142,788</u>	<u>\$14,466</u>	<u>\$157,254</u>

Interest expense totaled \$3,314 for the year ended June 30, 2010.

NOTE 5 - BONDS AND NOTES PAYABLE (CONTINUED)

Business-Type Activities:

<u>Fiscal years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 27,192	\$ 35,492	\$ 62,684
2012	28,092	34,592	62,684
2013	29,592	33,138	62,730
2014	30,592	32,164	62,756
2015	31,892	30,864	62,756
2016-2031	<u>652,853</u>	<u>246,524</u>	<u>899,377</u>
Total	\$ <u>800,213</u>	\$ <u>412,774</u>	\$ <u>1,212,987</u>

Interest expense totaled \$38,101 for the year ended June 30, 2010.

NOTE 6 - PROPERTY, CASUALTY AND LIABILITY INSURANCE POOL

In 1989, the Town joined the Maryland Local Government Insurance Trust (the Pool), which was formed by certain Maryland municipalities in order to pool their casualty risks.

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 pays an annual premium to the Pool each year, which is calculated by an actuary. It is intended that the Pool be self-sustaining through member premiums. Additional insurance is carried through commercial companies for claims, which exceed coverage limits as specified in the agreement. Should the Pool encounter deficits in its casualty and/or property funds, such deficits may be made up from assessments of the participating municipalities on a pro rata basis.

The Town continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 - OPERATING LEASE

In December 2005, the Town entered into an operating lease agreement for the lease of the Town's pier. The lease required the lessee to make certain improvements, the cost of which would affect future lease payments. Minimum rental payments for the next five years and thereafter are as follows:

NOTE 7 - OPERATING LEASE (CONTINUED)

2011	\$ 9,237
2012	9,514
2013	9,800
2014	10,094
2015	10,396
Thereafter	<u>830,225</u>
Total	\$ <u>879,266</u>

NOTE 8 - SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition through September 13, 2010, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CHARLESTOWN, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP AND BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
TAXES				
Local Property Taxes				
Property taxes	\$ 322,809	\$ 332,309	\$ 334,818	\$ 2,509
Total Local Taxes	<u>322,809</u>	<u>332,309</u>	<u>334,818</u>	<u>2,509</u>
Other Taxes				
Income taxes	48,000	48,000	65,200	17,200
Admissions and amusements	600	600	1,109	509
Other miscellaneous taxes	75	75		(75)
Total Other Taxes	<u>48,675</u>	<u>48,675</u>	<u>66,309</u>	<u>17,634</u>
Total Taxes	<u>371,484</u>	<u>380,984</u>	<u>401,127</u>	<u>20,143</u>
LICENSES AND PERMITS				
Traders	50	50	339	289
Licenses and permits	3,050	3,050	12,480	9,430
Cable television rebate	12,600	12,600	13,255	655
Trash rebate	5,732	5,732	5,732	0
Total Licenses and Permits	<u>21,432</u>	<u>21,432</u>	<u>31,806</u>	<u>10,374</u>
INTERGOVERNMENTAL				
State				
County tax differential	32,100	32,100	32,101	1
State of Maryland critical areas	2,000	2,000	2,000	0
Grants	21,500	21,500	12,455	(9,045)
Total State	<u>55,600</u>	<u>55,600</u>	<u>46,556</u>	<u>9,044</u>
OTHER				
Park permits and fees	375	375		(375)
Interest income	8,700	8,700	4,063	(4,637)
Water reimbursement	500	500	500	0
Sewer reimbursement	500	500	500	0
Special Fund Reimbursement	3,500	3,500	3,500	0
Loan Proceeds	14,160	14,160	147,413	133,253
Miscellaneous	600	600	6,781	6,181
Rental income	24,188	24,188	25,496	1,308
Total Other	<u>52,523</u>	<u>52,523</u>	<u>188,253</u>	<u>135,730</u>
PREVIOUS YEAR SURPLUS	<u>55,208</u>	<u>55,208</u>	<u>55,208</u>	<u>0</u>
TRANSFER FROM LONG-TERM SAVINGS	<u>38,988</u>	<u>73,488</u>		<u>(73,488)</u>
TOTAL REVENUE	\$ <u>595,235</u>	\$ <u>639,235</u>	\$ <u>722,950</u>	\$ <u>83,715</u>

See accompanying notes and auditors' report.

TOWN OF CHARLESTOWN, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP AND BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2010
(CONTINUED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT				
Administration				
Salary - regular	\$ 120,000	\$ 150,000	\$ 144,959	\$ 5,041
Payroll taxes and benefits	92,125	106,125	87,865	18,260
Presidential discretionary fund	5,200	5,200	1,139	4,061
Office supplies	6,000	6,000	3,724	2,276
Elections	600	600	495	105
Insurance	18,150	18,150	20,680	(2,530)
Other general government expenses	40,600	40,600	42,487	(1,887)
Office equipment	3,000	3,000	130	2,870
Office equipment repair and maintenance	1,000	1,000	1,153	(153)
Total Administration	286,675	330,675	302,632	28,043
Contract Services				
Legal	3,000	3,000	1,670	1,330
Audit	15,000	15,000	15,121	(121)
Administration	2,500	2,500	2,372	128
Total Contract Services	20,500	20,500	19,163	1,337
Town Buildings				
Repairs	10,000	10,000	14,497	(4,497)
Electric	10,500	10,500	7,841	2,659
Fuel	5,000	5,000	3,530	1,470
Telephone	4,000	4,000	4,077	(77)
Maintenance	5,000	5,000	3,557	1,443
Alarms	600	600	570	30
Other	300	300		300
Historic property	59,000	59,000	172,337	(113,337)
Total Town Buildings	94,400	94,400	206,409	(112,009)
Planning and Zoning				
Administration	8,050	8,050	22,922	(14,872)
Legal fees	2,500	2,500	4,260	(1,760)
Total Planning and Zoning	10,550	10,550	27,182	(16,632)
General Services				
Trash collection	67,250	67,250	70,692	(3,442)
Total General Services	67,250	67,250	70,692	(3,442)
Total General Government	\$ 479,375	\$ 523,375	\$ 626,078	\$ (102,703)

See accompanying notes and auditors' report.

TOWN OF CHARLESTOWN, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP AND BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2010
(CONTINUED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
PUBLIC SAFETY				
Fire company	\$ 11,000	\$ 11,000	\$ 11,720	\$ (720)
Police protection	58,500	58,500	56,734	1,766
Other	50	50		50
Total Public Safety	69,550	69,550	68,454	1,096
PARKS AND RECREATION				
Parks and recreations				
Veterans Park Improvements	2,000	2,000	4,952	(2,952)
Trinity Woods Improvements			455	(455)
Fairgreen Park Improvements	5,000	5,000	5,713	(713)
Shoreline Erosion - Stone Wharf	15,660	15,660	11,527	4,133
Other improvements	6,000	6,000	16,137	(477)
Contract maintenance	2,000	2,000	1,573	4,427
Equipment	500	500		2,000
Parking	100	100		100
Parks and recreation miscellaneous	50	50	49	1
Special events	15,000	15,000	11,828	3,172
Total Parks and Recreation	46,310	46,310	52,234	(5,924)
TOTAL EXPENDITURES	595,235	639,235	746,766	(107,531)
SUMMARY				
TOTAL REVENUES	595,235	639,235	722,950	83,715
TOTAL EXPENDITURES	595,235	639,235	746,766	(107,531)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ (23,816)	\$ (23,816)

See accompanying notes and auditors' report.