



The Town of Emmitsburg, Maryland

**FINANCIAL STATEMENTS, SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,
AND REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

FOR THE YEAR ENDED JUNE 30, 2015



DRAPER & MCGINLEY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS • FINANCIAL CONSULTANTS
FREDERICK, MARYLAND

TOWN OF EMMITSBURG, MARYLAND
SUMMARY OF ELECTED AND APPOINTED OFFICIALS

JUNE 30, 2015

MAYOR

Donald N. Briggs

COMMISSIONERS

Glenn Blanchard

Jennifer Mellor

Tim O'Donnell

Joseph Ritz III

Clifford L. Sweeney

TOWN MANAGER

David Haller

TOWN CLERK

Cathy Willets

TOWN AUDITOR

Draper & McGinley, P.A.

TOWN ATTORNEY

John R. Clapp, Esquire

TOWN OF EMMITSBURG, MARYLAND

FINANCIAL STATEMENTS, SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED JUNE 30, 2015

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Draper & McGinley, P.A.

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON THE FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Mayor and Board of Commissioners
Town of Emmitsburg, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Emmitsburg, Maryland, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Emmitsburg, Maryland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Emmitsburg, Maryland, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 8 and 36 - 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Emmitsburg, Maryland's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015, on our consideration of the Town of Emmitsburg, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and

grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Emmitsburg, Maryland's internal control over financial reporting and compliance.

Drapew & McGinnis, P.A.

Frederick, Maryland
October 29, 2015

TOWN OF EMMITSBURG

300A South Seton Avenue
Emmitsburg, Maryland 21727
301-600-6300 fax 301-600-6313

Mayor
Donald N. Briggs
Town Manager
David Haller
Town Clerk
Cathy Willets

Board of Commissioners
Timothy O'Donnell, President
Clifford Sweeney, Vice President
Glenn Blanchard, Treasurer
Jennifer Mellor
Joseph Ritz III

TOWN OF EMMITSBURG, MARYLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Emmitsburg, Maryland, we offer readers of the Town of Emmitsburg's financial statements this narrative overview and analysis of the financial activities of the Town of Emmitsburg as of and for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with all other information furnished in this package.

FINANCIAL HIGHLIGHTS:

1. The Town's government-wide net position increased \$4,035,213 in fiscal year 2015 as compared to an increase of \$7,529,807 in fiscal year 2014. This was primarily due to the continued construction in progress of the Town's Waste Water Treatment Plant.
2. The assets of the Town of Emmitsburg exceeded its liabilities and as of June 30, 2015 as below noted:

Governmental Activities \$4,861,801 (down \$118,127 from last year)
Business-Type Activities – Enterprise Funds \$28,139,062 (up \$3,917,086 from last year):
primarily due to increased construction in progress.

Of the total net position, \$5,002,532 is unrestricted, \$1,305,480 is restricted and \$26,692,851 is net investment in capital assets.
3. Total governmental and business-type assets and deferred outflows of resources were \$5,846,399 and \$36,333,483, respectively. Amounts invested in capital assets; net for governmental and business-type activities were \$3,622,259 and \$30,501,484 respectively.
4. Total governmental and business-type liabilities and deferred inflows of resources were \$984,598 and \$8,194,421, respectively. Of these amounts, \$7,921,453 are long-term liabilities.
5. As of June 30, 2015, the Town of Emmitsburg's governmental funds reported a combined ending fund balance of \$1,902,506 (up \$165,026 from last year). Of that amount, \$1,140,045 is unassigned or roughly 60% of total government fund balance.

For more information go to www.emmitsburgmd.gov

6. As of June 30, 2015, the Town of Emmitsburg's revenues were as herein noted: Governmental Funds were \$1,767,376 (down \$29,369 or 2% from last year), Enterprise Funds operating revenues were \$1,570,884 (up \$294,882 or 23% from last year). The decrease in intergovernmental revenues was primarily from a one-time energy incentive payment received in the prior year. An increase in sewer rates at the beginning of the fiscal year was responsible for the increased business-type revenue variance.
7. As of June 30, 2015 the Town of Emmitsburg's expenditures were as herein noted: Governmental Funds were \$1,602,350 (up \$12,260 or 1% from last year), Enterprise Funds operating expenses were \$1,235,134 (down \$23,937 or 2% from last year). The governmental funds increase is contributable to an increase in general government expenditures. The business-type decrease is contributable to a lowering in operating expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS:

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

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Emmitsburg can be divided into two (2) categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

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

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

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

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

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

	Governmental Activities		Total Government	
	2014	2015	2014	2015
REVENUES				
Program Revenues				
Charges for services	\$ 262,387	\$ 315,428	\$ 1,540,143	\$1,886,312
Operating grants and contributions	153,863	99,306	153,863	99,306
Capital grants and contributions	74,981	30,315	7,393,167	3,652,318
General Revenues				
Taxes	899,280	915,556	899,280	915,556
Intergovernmental	372,491	371,666	372,491	371,666
Investment income	1,379	1,207	2,789	2,481
Rental income	21,383	31,520	29,662	36,770
Miscellaneous	10,738	2,379	13,399	8,290
TOTAL REVENUES	\$1,796,502	\$1,767,377	\$10,404,794	\$6,972,699
PROGRAM EXPENSES				
General government	\$ 556,692	\$ 597,952	\$ 556,692	\$ 597,952
Public safety	223,481	232,062	223,481	232,062
Public works	567,966	587,224	567,966	587,224
Recreation and culture	189,650	214,748	189,650	214,748
Interest	17,919	17,264	17,919	17,264
Business-type activities	-	-	1,319,279	1,288,236
TOTAL PROGRAM EXPENSES	1,555,708	1,649,250	2,874,987	2,937,486
TRANSFERS	-	-	-	-
CHANGE IN NET POSITION	\$ 240,794	\$ 118,127	\$ 7,529,807	\$ 4,035,213

Budget Variances

In comparing the final budget amounts to the actual revenues and expenditures for the Town's General Fund, the Town's revenues were lower than budget by \$23,812 or 1.4% below expectations. Revenues from taxes, licenses and permits, and service charges were consistent with budgeted amounts. General Fund expenditures were below budget by \$52,409 or 3.5% below budgeted expenses. Savings in general government spending helped account for a good portion of the difference. Also, contractual expenses were lower than anticipated in the fiscal year.

Budget Fiscal Year 2016

Construction completion and inspection will occur on the state-required enhanced wastewater treatment plant in early fiscal year 2016. The construction was 70% grant-funded through MDE and USDA. The Town-funded portion is being accomplished by a \$5,419,000 USDA bond note which began in November 2014.

The Town of Emmitsburg continues to address the need for considerable investment, via its Enterprise Funds, in infrastructure and maintenance in a continued effort to catch-up after many years of below adequate funding in this area. The final phase of increased sewer rates to subsidize increased operating costs of the new plant began in 2014. Due to continued underfunding of operating expenses to include depreciation and replacement costs, an increase in water rates was instituted in 2013.

Water & sewer rates will remain the same as fiscal year 2015. Minimum quarterly rates for water are \$35 and \$113 for sewer for a residential household with a standard ¾ inch meter size. These rates are based upon the minimum first 6,000 gallons. The Town of Emmitsburg's rate schedule is a tier schedule based upon the amount of gallons used each quarter. A rate schedule can be obtained upon request by contacting the Town offices.

Increased depreciation expense within the Enterprise Fund is anticipated as the new waste water treatment plant comes on line and will begin to be depreciated in fiscal year 2016. Depreciation within the sewer fund should roughly double from fiscal year 2015 levels of \$308,000 to approximately \$600,000.

The real estate tax rate will remain unchanged from fiscal year 2015. The constant yield rate was determined at the same rate as 2015. Real Estate Tax revenue held steady in both fiscal years 2014 & 2015.

Approved fiscal year 2016 General Fund revenues budget is \$1,627,709. Budgeted General Fund expenses before transfer to CIP is \$1,499,850. General Fund budgeted transfer to CIP is \$127,859.

Request for more information:

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

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

TOWN OF EMMITSBURG, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,035,119	\$ 3,128,044	\$ 5,163,163
Restricted cash	-	1,099,080	1,099,080
Property taxes receivable, net	15,872	-	15,872
Due from customers	48,791	435,104	483,895
Due from other governments	58,682	1,088,168	1,146,850
Other receivables	16,395	25,198	41,593
Benefit assessments	-	28,261	28,261
Prepaid expenses	10,416	-	10,416
Capital assets:			
Land and land improvements	1,164,089	2,669,550	3,833,639
Construction in progress	93,908	17,770,420	17,864,328
Buildings and improvements	1,386,203	6,876,073	8,262,276
Infrastructure	4,489,289	10,144,153	14,633,442
Machinery and equipment	556,812	183,748	740,560
Less: Accumulated depreciation	<u>(4,068,042)</u>	<u>(7,142,460)</u>	<u>(11,210,502)</u>
Capital assets, net	<u>3,622,259</u>	<u>30,501,484</u>	<u>34,123,743</u>
Total Assets	<u>5,807,534</u>	<u>36,305,339</u>	<u>42,112,873</u>
Deferred Outflows of Resources	<u>38,865</u>	<u>28,144</u>	<u>67,009</u>
Total Assets and Deferred Outflows of Resources	<u>5,846,399</u>	<u>36,333,483</u>	<u>42,179,882</u>
Liabilities			
Accounts payable	111,714	663,279	774,993
Accrued liabilities	7,649	80,025	87,674
Compensated absences	123,871	66,812	190,683
Benefit assessments - current	-	3,200	3,200
Long-term liabilities:			
Benefit assessments - noncurrent	-	41,760	41,760
Net pension liability	260,305	188,496	448,801
Debt obligations due within one year	33,338	418,344	451,682
Debt obligations due in more than one year	<u>300,663</u>	<u>6,678,547</u>	<u>6,979,210</u>
Total Liabilities	<u>837,540</u>	<u>8,140,463</u>	<u>8,978,003</u>
Deferred Inflows of Resources	<u>147,058</u>	<u>53,958</u>	<u>201,016</u>
Total Liabilities and Deferred Inflows of Resources	<u>984,598</u>	<u>8,194,421</u>	<u>9,179,019</u>
Net Position			
Net investment in capital assets	3,288,258	23,404,593	26,692,851
Restricted - specific purposes	206,400	1,099,080	1,305,480
Unrestricted	<u>1,367,143</u>	<u>3,635,389</u>	<u>5,002,532</u>
Total Net Position	<u>\$ 4,861,801</u>	<u>\$ 28,139,062</u>	<u>\$ 33,000,863</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General government	\$ (597,952)	\$ 42,259	\$ -	\$ -	\$ (555,693)	\$ -	\$ (555,693)
Public safety	(232,062)	-	16,473	-	(215,589)	-	(215,589)
Public works	(587,224)	260,512	82,833	-	(243,879)	-	(243,879)
Recreation and culture	(214,748)	12,657	-	30,315	(171,776)	-	(171,776)
Interest on long-term debt	(17,264)	-	-	-	(17,264)	-	(17,264)
Total governmental activities	<u>(1,649,250)</u>	<u>315,428</u>	<u>99,306</u>	<u>30,315</u>	<u>(1,204,201)</u>	<u>-</u>	<u>(1,204,201)</u>
Business-type activities							
Water services	(587,631)	563,443	-	-	-	(24,188)	(24,188)
Sewer services	(700,605)	1,007,441	-	3,622,003	-	3,928,839	3,928,839
Total business-type activities	<u>(1,288,236)</u>	<u>1,570,884</u>	<u>-</u>	<u>3,622,003</u>	<u>-</u>	<u>3,904,651</u>	<u>3,904,651</u>
Total Primary Government	<u>\$ (2,937,486)</u>	<u>\$ 1,886,312</u>	<u>\$ 99,306</u>	<u>\$ 3,652,318</u>	<u>(1,204,201)</u>	<u>3,904,651</u>	<u>2,700,450</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					655,827	-	655,827
Income taxes					227,918	-	227,918
Other local taxes					31,811	-	31,811
County tax equity					371,666	-	371,666
Investment income					1,207	1,274	2,481
Rental income					31,520	5,250	36,770
Miscellaneous income					2,379	5,911	8,290
Total General Revenues					<u>1,322,328</u>	<u>12,435</u>	<u>1,334,763</u>
Change in Net Position					118,127	3,917,086	4,035,213
Net Position - beginning of year - restated					<u>4,743,674</u>	<u>24,221,976</u>	<u>28,965,650</u>
Net Position - end of year					<u>\$ 4,861,801</u>	<u>\$ 28,139,062</u>	<u>\$ 33,000,863</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,246,940	\$ 788,179	\$ 2,035,119
Receivables:			
Taxes	15,872	-	15,872
Customers	48,791	-	48,791
Other governments	13,841	-	13,841
Other	16,395	-	16,395
Prepaid items	10,416	-	10,416
Total Assets	<u>\$ 1,352,255</u>	<u>\$ 788,179</u>	<u>\$ 2,140,434</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 111,714	-	\$ 111,714
Accrued liabilities	7,649	-	7,649
Total Liabilities	<u>119,363</u>	<u>-</u>	<u>119,363</u>
Deferred Inflows of Resources	<u>82,431</u>	<u>36,134</u>	<u>118,565</u>
Fund Balances			
Nonspendable	10,416	-	10,416
Restricted	-	206,400	206,400
Committed	-	-	-
Assigned	-	545,645	545,645
Unassigned	1,140,045	-	1,140,045
Total Fund Balances	<u>1,150,461</u>	<u>752,045</u>	<u>1,902,506</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,352,255</u>	<u>\$ 788,179</u>	<u>\$ 2,140,434</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues			
Local property taxes	\$ 655,827	\$ -	\$ 655,827
Local income taxes	227,918	-	227,918
Other local taxes	31,811	-	31,811
Licenses and permits	37,281	-	37,281
Intergovernmental revenues	471,641	30,315	501,956
Service charges	219,677	51,600	271,277
Fines and forfeitures	6,200	-	6,200
Miscellaneous	28,626	6,480	35,106
Total Revenues	<u>1,678,981</u>	<u>88,395</u>	<u>1,767,376</u>
Expenditures			
General government	521,031	16,027	537,058
Public safety	232,062	-	232,062
Public works	451,102	88,901	540,003
Recreation and culture	175,146	70,252	245,398
Debt service	47,829	-	47,829
Total Expenditures	<u>1,427,170</u>	<u>175,180</u>	<u>1,602,350</u>
Excess (Deficiency) of Revenues over Expenditures	251,811	(86,785)	165,026
Other Financing Sources (Uses)			
Operating transfers in (out)	(223,214)	223,214	-
Total Other Financing Sources (Uses)	<u>(223,214)</u>	<u>223,214</u>	<u>-</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	28,597	136,429	165,026
Fund Balance July 1, 2014	<u>1,121,864</u>	<u>615,616</u>	
Fund Balance June 30, 2015	<u>\$ 1,150,461</u>	<u>\$ 752,045</u>	
Adjustments for the Statement of Activities			
Capital outlay			129,944
Depreciation expense			(195,820)
Compensated absences			(14,461)
Debt service expenditures			30,565
Net pension adjustment			2,873
Change in Net Position of Governmental Activities			<u>\$ 118,127</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
RECONCILIATION OF FUND BALANCE TO NET POSITION OF
GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

Fund balances - governmental funds \$ 1,902,506

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

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

Property and equipment, net 3,622,259

Deferred outflows of resources - pension 38,865

Long-term receivable 44,841

Deferred inflows of resources - pension (28,493)

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

Long-term debt (334,001)

Compensated absences (123,871)

Net pension liability (260,305)

Net position - governmental activities \$ 4,861,801

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 528,289	\$ 2,599,755	\$ 3,128,044
Restricted cash	259,000	840,080	1,099,080
Due from customers	146,741	288,363	435,104
Due from other governments	-	1,088,168	1,088,168
Other receivables	6,149	19,049	25,198
Benefit assessments - current	3,200	-	3,200
Total Current Assets	943,379	4,835,415	5,778,794
Capital Assets			
Capital assets not being depreciated	2,648,995	17,790,975	20,439,970
Capital assets being depreciated	6,773,582	10,430,392	17,203,974
Accumulated depreciation	(2,390,752)	(4,751,708)	(7,142,460)
Capital Assets, Net	7,031,825	23,469,659	30,501,484
Benefit assessments - noncurrent	25,061	-	25,061
Total Assets	8,000,265	28,305,074	36,305,339
Deferred Outflows of Resources	12,665	15,479	28,144
Total Assets and Deferred Outflows of Resources	8,012,930	28,320,553	36,333,483
Liabilities			
Current Liabilities			
Accounts payable	6,047	657,232	663,279
Accrued liabilities	12,036	67,989	80,025
Compensated absences	42,634	24,178	66,812
Benefit assessments - current	3,200	-	3,200
Debt obligations due within one year	132,444	285,900	418,344
Total Current Liabilities	196,361	1,035,299	1,231,660
Noncurrent Liabilities			
Benefit assessments - noncurrent	41,760	-	41,760
Net pension liability	84,823	103,673	188,496
Debt obligations due in more than one year	1,103,582	5,574,965	6,678,547
Total Noncurrent Liabilities	1,230,165	5,678,638	6,908,803
Total Liabilities	1,426,526	6,713,937	8,140,463
Deferred Inflows of Resources	42,610	11,348	53,958
Total Liabilities and Deferred Inflows of Resources	1,469,136	6,725,285	8,194,421
Net Position			
Net investment in capital assets	5,795,799	17,608,794	23,404,593
Restricted - expendable maintenance & improvements	259,000	840,080	1,099,080
Unrestricted	488,995	3,146,394	3,635,389
Total Net Position	\$ 6,543,794	\$ 21,595,268	\$ 28,139,062

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating Revenues			
Charges for services	\$ 554,398	\$ 1,006,092	\$ 1,560,490
Miscellaneous charges	9,045	1,349	10,394
Total Operating Revenues	563,443	1,007,441	1,570,884
Operating Expenses			
Personnel services	228,351	199,892	428,243
Operating	172,726	172,373	345,099
Depreciation	153,247	308,545	461,792
Total Operating Expenses	554,324	680,810	1,235,134
Operating Income	9,119	326,631	335,750
Nonoperating Revenues (Expenses)			
Investment income	464	810	1,274
Rental income	5,250	-	5,250
Other income	144	5,767	5,911
Interest expense	(33,307)	(19,795)	(53,102)
Total Nonoperating Revenues (Expenses)	(27,449)	(13,218)	(40,667)
Net Income (Loss) before Capital Grants	(18,330)	313,413	295,083
Capital grants	-	3,622,003	3,622,003
Change in Net Position	(18,330)	3,935,416	3,917,086
Total Net Position, beginning of year - restated	6,562,124	17,659,852	24,221,976
Total Net Position, end of year	\$ 6,543,794	\$ 21,595,268	\$ 28,139,062

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities			
Cash receipts from customers	\$ 546,464	\$ 933,791	\$ 1,480,255
Cash payments to suppliers of goods and services	(183,250)	(166,519)	(349,769)
Cash payments to employees for services	(231,797)	(202,238)	(434,035)
Net cash provided by operating activities	<u>131,417</u>	<u>565,034</u>	<u>696,451</u>
Cash flows from nonoperating activities			
Rental income	5,250	-	5,250
Other income	144	5,767	5,911
Net cash provided by nonoperating activities	<u>5,394</u>	<u>5,767</u>	<u>11,161</u>
Cash flows from capital and related financing activities			
Construction of capital assets - current year	-	(4,272,850)	(4,272,850)
Capital contributions and grants	-	4,640,570	4,640,570
Proceeds on bond and loans payable	-	6,605,693	6,605,693
Principal paid on bond and loans payable	(117,509)	(5,545,854)	(5,663,363)
Interest paid on capital debt	(33,307)	(1,346)	(34,653)
Net cash provided by (used in) capital and related financing activities	<u>(150,816)</u>	<u>1,426,213</u>	<u>1,275,397</u>
Cash flows from investing activities			
Investment income	<u>464</u>	<u>810</u>	<u>1,274</u>
Net cash provided by investing activities	<u>464</u>	<u>810</u>	<u>1,274</u>
Net increase (decrease) in cash and cash equivalents	(13,541)	1,997,824	1,984,283
Cash and cash equivalents - beginning of year	<u>800,830</u>	<u>1,442,011</u>	<u>2,242,841</u>
Cash and cash equivalents - end of year	<u>\$ 787,289</u>	<u>\$ 3,439,835</u>	<u>\$ 4,227,124</u>
Cash and cash equivalents:			
Unrestricted	\$ 528,289	\$ 2,599,755	\$ 3,128,044
Restricted	<u>259,000</u>	<u>840,080</u>	<u>1,099,080</u>
	<u>\$ 787,289</u>	<u>\$ 3,439,835</u>	<u>\$ 4,227,124</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

	Business-type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of operating income to			
Net cash provided by operating activities			
Operating income	\$ 9,119	\$ 326,631	\$ 335,750
Depreciation	153,247	308,545	461,792
Net changes in assets and liabilities:			
Due from customers	(10,830)	(70,850)	(81,680)
Other receivables	(6,149)	(19,049)	(25,198)
Deferred outflows of resources	(1,527)	(1,865)	(3,392)
Accounts payable	(10,523)	24,904	14,381
Accrued liabilities	(4,217)	(7,544)	(11,761)
Compensated absences	1,708	3,541	5,249
Net pension liability	(8,695)	(10,627)	(19,322)
Deferred inflows of resources	9,284	11,348	20,632
Net cash provided by operating activities	<u>\$ 131,417</u>	<u>\$ 565,034</u>	<u>\$ 696,451</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

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

TOWN OF EMMITSBURG, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The following is a brief description of the specific funds used by the Town for the year ended June 30, 2015:

Governmental Fund Types

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

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

Proprietary Fund Types

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

TOWN OF EMMITSBURG, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Budgets and Budgetary Accounting

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

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

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

TOWN OF EMMITSBURG, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash, Cash Equivalents, and Investments

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

Receivables and Doubtful Accounts

Significant receivables include amounts due from customers primarily for property taxes and utility services. These receivables are due within one year. For the year ended June 30, 2015, the Town has an allowance for doubtful property taxes of \$2,700 reported in the general fund.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid expenses. In governmental funds, reported prepaid expenses are equally offset by non-spendable fund balance amounts, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Capital Assets

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

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

Short-term Interfund Receivables/Payables

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

TOWN OF EMMITSBURG, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

Deferred Outflows / Inflows of Resources

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

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

Commitments and Contingent Liabilities

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

Interfund Transactions

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

Net Position

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

TOWN OF EMMITSBURG, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

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

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

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

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

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

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

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

Use of Estimates

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

TOWN OF EMMITSBURG, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

(2) DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments exists when, in the event of the failure of the counterparty to a transaction, a government may be unable to recover the value of investment or collateral securities that are in the possession of an outside party. As of year-end, the Town's carrying amount of deposits was \$3,304,097, the bank balance was \$3,350,865, and cash on hand was \$450.

The Town maintains deposits at one financial institution. At June 30, 2015, the Town was fully covered by the Federal Deposit Insurance Corporation and pledged collateral.

Included in cash and cash equivalents, the Town had \$2,958,146 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2015.

The Town's cash and investments as of June 30, 2015, reconciled to the total presented in the Statement of Net Position, are as follows:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents:			
Unrestricted	\$ 2,035,119	\$ 3,128,044	\$ 5,163,163
Restricted	-	1,099,080	1,099,080
	<u>\$ 2,035,119</u>	<u>\$ 4,227,124</u>	<u>\$ 6,262,243</u>
	Governmental Activities	Business-type Activities	Total
Cash on hand	\$ 450	\$ -	\$ 450
Deposits in bank	1,368,105	1,935,542	3,303,647
Investment pools (MLGIP)	666,564	2,291,582	2,958,146
	<u>\$ 2,035,119</u>	<u>\$ 4,227,124</u>	<u>\$ 6,262,243</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy is not explicit as to how interest rate risk is managed. The interest rate in the MLGIP fluctuates throughout the year. The applicable interest rate at June 30, 2015 was 0.07 %.

TOWN OF EMMITSBURG, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

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

Credit Risk

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

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

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

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

Concentration of Credit Risk

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

(3) PROPERTY TAXES

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

Property taxes become delinquent on October 1. Interest accrues at 1% monthly for delinquent property taxes. Tax liens on real property are sold at public auction the second Monday in May on taxes delinquent since October 1 of the current fiscal year. Total assessable base on which levies were made for the year ended June 30, 2015 was \$169,435,687 and the property tax rate was \$0.36 per \$100 of assessed value.

TOWN OF EMMITSBURG, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

<u>Governmental Activities:</u>	<u>Balance July 1, 2014</u>	<u>Transfers / Additions</u>	<u>Transfers / Dispositions</u>	<u>Balance June 30, 2015</u>
Capital assets, not depreciated				
Land	\$ 1,164,089	\$ -	\$ -	\$ 1,164,089
Construction in progress	87,408	129,944	(123,444)	93,908
Total capital assets, not depreciated	<u>1,251,497</u>	<u>129,944</u>	<u>(123,444)</u>	<u>1,257,997</u>
Capital assets, depreciated				
Buildings	716,251	-	-	716,251
Improvements	642,001	27,951	-	669,952
Infrastructure	4,393,796	95,493	-	4,489,289
Machinery and equipment	556,812	-	-	556,812
Total capital assets, depreciated	6,308,860	123,444	-	6,432,304
Accumulated depreciation	<u>(3,872,222)</u>	<u>(195,820)</u>	<u>-</u>	<u>(4,068,042)</u>
Governmental activities -				
Capital assets, net	<u>\$ 3,688,135</u>	<u>\$ 57,568</u>	<u>\$ (123,444)</u>	<u>\$ 3,622,259</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government	\$ 27,197
Public works – streets	131,957
Parks and recreation	<u>36,666</u>
Total depreciation expense	<u>\$ 195,820</u>

TOWN OF EMMITSBURG, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS

(4) CAPITAL ASSETS (CONTINUED)

<u>Business-type Activities:</u>	<u>Balance July 1, 2014</u>	<u>Transfers / Additions</u>	<u>Transfers / Dispositions</u>	<u>Balance June 30, 2015</u>
Capital assets, not depreciated				
Land and land improvements	\$ 2,669,550	\$ -	\$ -	\$ 2,669,550
Construction in progress	14,080,719	3,689,701	-	17,770,420
Total capital assets, not depreciated	<u>16,750,269</u>	<u>3,689,701</u>	<u>-</u>	<u>20,439,970</u>
Capital assets, depreciated				
Buildings and improvements	6,876,073	-	-	6,876,073
Infrastructure	10,144,153	-	-	10,144,153
Machinery and equipment	183,748	-	-	183,748
Total capital assets, depreciated	<u>17,203,974</u>	<u>-</u>	<u>-</u>	<u>17,203,974</u>
Accumulated depreciation	<u>(6,680,668)</u>	<u>(461,792)</u>	<u>-</u>	<u>(7,142,460)</u>
Business-type activities - Capital assets, net	<u>\$ 27,273,575</u>	<u>\$ 3,227,909</u>	<u>\$ -</u>	<u>\$ 30,501,484</u>

Depreciation expense was charged to functions/programs as follows:

Business-type activities	
Water	\$153,247
Sewer	<u>308,545</u>
Total depreciation expense	<u>\$461,792</u>

(5) UNEARNED REVENUE

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

TOWN OF EMMITSBURG, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS

(6) DEBT OBLIGATIONS

Debt outstanding at June 30, 2015 is as follows:

Purpose	Rate	Amount
Wastewater Plant Improvement Bonds of 1988; Community Development Administration; Due 2018; Annual principal varies plus interest.	4.75%	\$ 201,000
Infrastructure Financing Bonds 2001 Series A; Maryland Department of Housing and Community Development; Due 2021; Annual principal and interest of approximately \$15,200.	4.77%	78,500
Drinking Water State Revolving Fund; Maryland Water Quality Financing Administration; Due 2020; Annual principal and interest of approximately \$45,500.	1.20%	212,040
Drinking Water State Revolving Fund; Maryland Water Quality Financing Administration; Due 2024; Annual principal and interest of approximately \$23,200.	1.20%	187,734
Drinking Water State Revolving Fund; Maryland Water Quality Financing Administration; Due 2021; Annual principal and interest of approximately \$53,700.	2.40%	283,000
Drinking Water State Revolving Fund; Maryland Water Quality Financing Administration; Due 2026; Annual principal and interest of approximately \$26,579.	1.10%	260,837
General Obligation Bond, Series 2009; Due 2029; Semi-annual interest payments with principal amounts due annually.	3.65%	504,455
Woodsboro Bank loan; Due 2016; Monthly principal and interest of approximately \$1,504.	4.00%	215,301
General Obligation Bond (USDA), Series 2014; Financing for WWTP, principal - \$5,419,000, due 2055; Quarterly principal and interest of \$52,565.	2.38%	5,377,534
General Obligation Bond Anticipation Note (PNC interim financing), Series 2015; Financing for WWTP, principal - \$1,001,000, due 2055; beginning February 4, 2015.	2.50%	<u>110,491</u>
Total Debt Obligations		<u><u>\$ 7,430,892</u></u>

TOWN OF EMMITSBURG, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS

(6) DEBT OBLIGATIONS (CONTINUED)

Changes in Non-Current Liabilities

During the year ended June 30, 2015, the following changes in long-term obligations occurred:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Due within one year</u>
1988 CDA	\$ 258,000	\$ -	\$ (57,000)	\$ 201,000	\$ 62,000
2000 MDE	326,374	-	(43,374)	283,000	44,415
2001 CDA	89,300	-	(10,800)	78,500	11,300
2004 MDE	207,377	-	(19,643)	187,734	19,878
2004 MDE	252,952	-	(40,912)	212,040	41,402
2007 MDE	283,030	-	(22,193)	260,837	22,437
Woodsboro Bank	223,666	-	(8,365)	215,301	9,638
2009 General Obligation Bond	536,755	-	(32,300)	504,455	45,714
PNC ENR Interim Loan	4,341,675	1,076,202	(5,417,877)	-	-
2014 USDA GO Bonds	-	5,419,000	(41,466)	5,377,534	84,407
2015 PNC Interim Financing	-	110,491	-	110,491	110,491
Total	<u>\$ 6,519,129</u>	<u>\$ 6,605,693</u>	<u>\$ (5,693,930)</u>	<u>\$ 7,430,892</u>	<u>\$ 451,682</u>

At June 30, 2015, the debt obligations are recorded as follows:

Governmental activities:	\$ 334,001
Business-type activities:	
Water Fund	1,236,026
Sewer Fund	<u>5,860,865</u>
Total long-term debt obligations	<u>\$ 7,430,892</u>

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

Interest expense

For the year ended June 30, 2015 total interest costs were \$167,950 and reported as follows: interest expense of \$17,264 for governmental activities, \$53,102 for business-type activities, and \$97,584 of interest was capitalized for business-type activities. Cash paid for interest for business-type activities was \$132,237.

TOWN OF EMMITSBURG, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS

(6) DEBT OBLIGATIONS (CONTINUED)

Debt service requirements are as follows:

	<u>Principal</u>	<u>Interest & Fees</u>	<u>Total</u>
2016	\$ 451,682	\$ 188,618	\$ 640,300
2017	548,753	172,789	721,542
2018	354,673	160,108	514,782
2019	289,308	148,355	437,663
2020	296,198	141,496	437,693
2021-2025	1,027,951	584,954	1,612,906
2026-2030	584,679	493,194	1,077,873
2031-2035	629,339	421,961	1,051,300
2036-2040	707,708	343,592	1,051,300
2041-2045	795,836	255,464	1,051,300
2046-2050	894,939	156,361	1,051,300
2051-2055	849,826	45,824	895,650

Conduit Debt

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

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

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

The bonds are to be paid solely from the revenue derived from payments made to the Town pursuant to the terms and provisions of the loan agreement. As of June 30, 2015, the conduit debt obligations outstanding were \$18,506,198 and \$1,250,000 respectively.

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

TOWN OF EMMITSBURG, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

(7) EMPLOYEE BENEFITS

Cost-sharing Multiple Employer Pension Plan:

Plan Description

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

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

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

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

Funding policy

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

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

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

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

TOWN OF EMMITSBURG, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

(7) EMPLOYEE BENEFITS (CONTINUED)

Actuarial methods and assumptions:

Actuarial	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years for State System
Asset Valuation method	5-year smoothed market, 20% collar
Inflation	2.9% general, 3.4% wage
Salary increases	3.4% to 11.9% including inflation
Discount rate	7.65%
Investment rate of return	7.65%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2006 – 2010.
Mortality	RP-2000 Combined Healthy Mortality Table, projected to year 2025
Actuarial valuation date	June 30, 2014

Discount rate

A single discount rate of 7.65% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.65%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.65%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

System	1% Decrease to 6.65%	Current Discount	1% Increase to 8.65%
Employees Pension (muni)	\$ 857,978	\$ 448,801	\$ 102,790

TOWN OF EMMITSBURG, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

(7) EMPLOYEE BENEFITS (CONTINUED)

Deferred compensation plan

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

(8) GRANTS FROM GOVERNMENTAL UNITS

Federal and state governmental units represent an important source of supplementary funding used to finance construction, maintenance, employment programs, and other activities beneficial to the community. The grants received by the Town specify the purpose for which the grant funds are to be used, and such grants are subject to audit by the granting agency or its representative if Federal expenditures for the fiscal year exceed \$500,000. The Town's federal grant expenditures were more than \$500,000; therefore, they are subject to the Single Audit Act for fiscal year 2015.

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

For the year ended June 30, 2015, the Town reported deferred outflows and inflows of resources related to the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of pension assumptions	\$ 6,493	\$ -
Net difference between projected and actual earnings on pension plan investments	-	49,125
Town's contributions subsequent to the measurement date	60,516	-
	<u>\$ 67,009</u>	<u>\$ 49,125</u>
Other deferred inflows:		
Property taxes - subsequent year		8,772
Unavailable revenues		143,119
		<u>\$ 201,016</u>

TOWN OF EMMITSBURG, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

(10) RESTRICTED NET POSITION

The Town has instituted through a local ordinance a surcharge on water and sewer connections for the purpose of funding necessary repairs and maintenance and improvements to the Town's Water and Sewer system. In addition, the Mayor and Commissioners set-aside funds for specific projects. As of June 30, 2015, the total amount restricted is as follows:

Surcharges for improvements – Water Fund	<u>\$ 259,000</u>
Surcharges for improvements – Sewer Fund	\$ 745,500
Lagoon improvements	70,000
Other building improvements	<u>24,580</u>
	<u>\$ 840,080</u>

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

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

(11) RISK MANAGEMENT

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

TOWN OF EMMITSBURG, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

(12) PRIOR PERIOD ADJUSTMENT AND RESTATEMENT DUE TO IMPLEMENTATION OF GASB 68

The Town implemented GASB 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2015, which required the Town to record its proportionate share of the net pension liability as a participating local governmental unit of the State of Maryland's Retirement System.

The effect on the currently presented financial statements is a restatement of the beginning net position of both governmental and business-type activities, as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position, beginning of year	\$ 4,996,480	\$ 24,405,043
Net pension liability	<u>(252,806)</u>	<u>(183,067)</u>
Net position, beginning of year - restated	<u>\$ 4,743,674</u>	<u>\$ 24,221,976</u>

(13) SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the Statement of Net Position date through the date that the financial statements are available to be issued. The Town performed an evaluation as of October 29, 2015, the date the financial statements were available to be issued, and determined there are no subsequent events requiring disclosure.

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

For the year ended June 30, 2015	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Local property taxes				
Real property	\$ 610,253	\$ 610,253	\$ 609,823	\$ (430)
Personal property	40,758	40,758	47,583	6,825
Penalties and interest	6,427	6,427	6,309	(118)
Less discounts	<u>(7,749)</u>	<u>(7,749)</u>	<u>(7,888)</u>	<u>(139)</u>
Net local property taxes	<u>649,689</u>	<u>649,689</u>	<u>655,827</u>	<u>6,138</u>
Local income taxes	<u>205,035</u>	<u>205,035</u>	<u>227,918</u>	<u>22,883</u>
Other local taxes				
Admissions and amusement taxes	6,493	6,493	5,918	(575)
Public utility taxes	<u>26,201</u>	<u>26,201</u>	<u>25,893</u>	<u>(308)</u>
Total other local taxes	<u>32,694</u>	<u>32,694</u>	<u>31,811</u>	<u>(883)</u>
Licenses and permits				
Alcoholic beverages	6,095	6,095	-	(6,095)
Trader's licenses	3,858	3,858	4,808	950
Cable franchise fees	<u>30,420</u>	<u>30,420</u>	<u>32,473</u>	<u>2,053</u>
Total licenses and permits	<u>40,373</u>	<u>40,373</u>	<u>37,281</u>	<u>(3,092)</u>
Intergovernmental revenues				
State Aid for Police Protection	14,573	14,573	16,473	1,900
County - tax equity	371,666	371,666	371,666	-
Financial corporations	-	-	669	669
Highway users	82,496	82,496	25,619	(56,877)
Other	<u>53,692</u>	<u>53,692</u>	<u>57,214</u>	<u>3,522</u>
Total intergovernmental revenues	<u>522,427</u>	<u>522,427</u>	<u>471,641</u>	<u>(50,786)</u>
Service charges				
Garbage and tipping fees	176,788	176,788	186,991	10,203
Zoning permits	3,600	3,600	4,308	708
Parking meter receipts	15,747	15,747	15,721	(26)
Swimming pool	<u>22,198</u>	<u>22,198</u>	<u>12,657</u>	<u>(9,541)</u>
Total service charges	<u>218,333</u>	<u>218,333</u>	<u>219,677</u>	<u>1,344</u>

The accompanying notes are an integral part of this statement.

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

For the year ended June 30, 2015	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Fines and forfeitures				
Parking fines	\$ 6,795	\$ 6,795	\$ 6,200	\$ (595)
Miscellaneous revenues				
Interest income	1,000	1,000	1,207	207
Rental income	23,447	23,447	25,040	1,593
Other	3,000	3,000	2,379	(621)
Total miscellaneous revenues	<u>27,447</u>	<u>27,447</u>	<u>28,626</u>	<u>1,179</u>
Budgeted Usage of Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 1,702,793</u>	<u>\$ 1,702,793</u>	<u>\$ 1,678,981</u>	<u>\$ (23,812)</u>
General Government				
Legislative				
Salaries	\$ 54,757	\$ 54,757	\$ 56,939	\$ (2,182)
Fringe benefits	7,970	7,970	6,189	1,781
Total salaries and fringe benefits	<u>62,727</u>	<u>62,727</u>	<u>63,128</u>	<u>(401)</u>
Operations				
Other operating	<u>46,080</u>	<u>46,080</u>	<u>37,267</u>	<u>8,813</u>
Total operations	<u>46,080</u>	<u>46,080</u>	<u>37,267</u>	<u>8,813</u>
Capital Outlay	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total Legislative	<u>110,307</u>	<u>110,307</u>	<u>100,395</u>	<u>9,912</u>
Legal	<u>7,500</u>	<u>7,500</u>	<u>6,875</u>	<u>625</u>
Planning and Zoning				
Salaries	109,624	109,624	112,755	(3,131)
Fringe benefits	23,465	23,465	21,632	1,833
Total salaries and fringe benefits	<u>133,089</u>	<u>133,089</u>	<u>134,387</u>	<u>(1,298)</u>
Operations				
Other operating	<u>13,200</u>	<u>13,200</u>	<u>13,772</u>	<u>(572)</u>
Total operations	<u>13,200</u>	<u>13,200</u>	<u>13,772</u>	<u>(572)</u>
Capital outlay	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Planning and Zoning	<u>148,289</u>	<u>148,289</u>	<u>148,159</u>	<u>130</u>

The accompanying notes are an integral part of this statement.

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

For the year ended June 30, 2015	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Financial Administration				
Salaries	\$ 54,285	\$ 54,285	\$ 59,957	\$ (5,672)
Fringe benefits	46,851	46,851	46,532	319
Total salaries and fringe benefits	<u>101,136</u>	<u>101,136</u>	<u>106,489</u>	<u>(5,353)</u>
Operations				
Other operating	26,250	26,250	17,087	9,163
Accounting and auditing	16,000	16,000	19,322	(3,322)
Total operations	<u>42,250</u>	<u>42,250</u>	<u>36,409</u>	<u>5,841</u>
Capital outlay	-	-	-	-
Total Financial Administration	<u>143,386</u>	<u>143,386</u>	<u>142,898</u>	<u>488</u>
General Services				
Salaries	49,301	49,301	45,958	3,343
Fringe benefits	26,209	26,209	24,643	1,566
Total salaries and fringe benefits	<u>75,510</u>	<u>75,510</u>	<u>70,601</u>	<u>4,909</u>
Operations				
Other operating costs	53,046	53,046	52,103	943
Total operations	<u>53,046</u>	<u>53,046</u>	<u>52,103</u>	<u>943</u>
Capital outlay	1,000	1,000	-	1,000
Total General Services	<u>129,556</u>	<u>129,556</u>	<u>122,704</u>	<u>6,852</u>
Total General Government	<u>\$ 539,038</u>	<u>\$ 539,038</u>	<u>\$ 521,031</u>	<u>\$ 18,007</u>
Public Safety				
Police, ambulance and fire services				
Police protection	\$ 253,300	\$ 253,300	\$ 220,587	\$ 32,713
Other public safety expenses	6,495	6,495	8,475	(1,980)
Fire and rescue donations	6,000	6,000	3,000	3,000
Total operations	<u>265,795</u>	<u>265,795</u>	<u>232,062</u>	<u>33,733</u>
Capital outlay	1,000	1,000	-	1,000
Total Public Safety	<u>\$ 266,795</u>	<u>\$ 266,795</u>	<u>\$ 232,062</u>	<u>\$ 34,733</u>

The accompanying notes are an integral part of this statement.

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

For the year ended June 30, 2015	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Public Works				
Highways and Streets				
Salaries	\$ 144,487	\$ 144,487	\$ 131,378	\$ 13,109
Fringe benefits	66,096	66,096	58,819	7,277
Total salaries and fringe benefits	<u>210,583</u>	<u>210,583</u>	<u>190,197</u>	<u>20,386</u>
Operations				
Other operating	117,643	117,643	133,119	(15,476)
Total operations	<u>117,643</u>	<u>117,643</u>	<u>133,119</u>	<u>(15,476)</u>
Capital outlay	500	500	-	500
Total Highways and Streets	<u>328,726</u>	<u>328,726</u>	<u>323,316</u>	<u>5,410</u>
Refuse				
Salaries	2,736	2,736	2,806	(70)
Total salaries	<u>2,736</u>	<u>2,736</u>	<u>2,806</u>	<u>(70)</u>
Operations				
Other operating	117,380	117,380	124,980	(7,600)
Total operations	<u>117,380</u>	<u>117,380</u>	<u>124,980</u>	<u>(7,600)</u>
Total Refuse	<u>120,116</u>	<u>120,116</u>	<u>127,786</u>	<u>(7,670)</u>
Total Public Works	<u>\$ 448,842</u>	<u>\$ 448,842</u>	<u>\$ 451,102</u>	<u>\$ (2,260)</u>
Recreation and Culture				
Park and swimming pool				
Salaries	\$ 58,842	\$ 58,842	\$ 56,796	\$ 2,046
Fringe benefits	25,917	25,917	37,610	(11,693)
Total salaries and fringe benefits	<u>84,759</u>	<u>84,759</u>	<u>94,406</u>	<u>(9,647)</u>
Operations				
Other operating	86,921	86,921	80,475	6,446
Total operations	<u>86,921</u>	<u>86,921</u>	<u>80,475</u>	<u>6,446</u>
Capital Outlay	6,500	6,500	265	6,235
Total Recreation and Culture	<u>\$ 178,180</u>	<u>\$ 178,180</u>	<u>\$ 175,146</u>	<u>\$ 3,034</u>

The accompanying notes are an integral part of this statement.

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

For the year ended June 30, 2015	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Debt Service				
Principal payments	\$ 27,877	\$ 27,877	\$ 30,565	\$ (2,688)
Interest payments	<u>18,847</u>	<u>18,847</u>	<u>17,264</u>	<u>1,583</u>
Total Debt Service	<u>\$ 46,724</u>	<u>\$ 46,724</u>	<u>\$ 47,829</u>	<u>\$ (1,105)</u>
Total Expenditures	<u>\$ 1,479,579</u>	<u>\$ 1,479,579</u>	<u>\$ 1,427,170</u>	<u>\$ 52,409</u>
Excess of Revenues over Expenditures	<u>\$ 223,214</u>	<u>\$ 223,214</u>	<u>\$ 251,811</u>	<u>\$ 28,597</u>
Other Financing Sources (Uses)				
Transfer out to Capital Projects Fund	<u>(223,214)</u>	<u>(223,214)</u>	<u>(223,214)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,597</u>	<u>\$ 28,597</u>

The accompanying notes are an integral part of this statement.

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

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

SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS

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

The accompanying notes are an integral part of this statement.



Draper & McGinley, P.A.

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

Mayor and Board of Commissioners
Town of Emmitsburg, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Emmitsburg, Maryland, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Emmitsburg, Maryland's basic financial statements, and have issued our report thereon dated October 29, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Draaper & McGinty, P.A.

Frederick, Maryland
October 29, 2015



Draper & McGinley, P.A.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Mayor and Board of Commissioners
Town of Emmitsburg, Maryland

Report on Compliance for Each Major Federal Program

We have audited the Town of Emmitsburg, Maryland's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Emmitsburg, Maryland's major federal programs for the year ended June 30, 2015. The Town of Emmitsburg, Maryland's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Emmitsburg, Maryland's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Emmitsburg, Maryland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Emmitsburg, Maryland's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Emmitsburg, Maryland, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Town of Emmitsburg, Maryland, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Emmitsburg, Maryland's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Emmitsburg, Maryland's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Drapen & McGinity, P.A.

Frederick, Maryland
October 29, 2015

**Town of Emmitsburg, Maryland
Schedule of Expenditures of Federal Awards**

For the year ended June 30, 2015

<u>Federal/State Grantor</u>	<u>Federal CFDA Number</u>	<u>Grant/Loan Number</u>	<u>Federal Expenditures</u>
United States Department of Agriculture			
Rural Utilities Service			
<i>Direct Award</i>			
Water and Waste Disposal Systems for Rural Communities			
Wastewater Treatment Plant ENR Upgrade* - ARRA	10.781	92-01	\$ 206,554
Water and Waste Disposal Systems for Rural Communities (loan)	10.760	91-03	110,491
Water and Waste Disposal Systems for Rural Communities (grant)	10.760	00-02	<u>1,366,540</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,683,585</u>

*Total amount of loan commitment is \$5,419,000, USDA loan closing occurred on November 20, 2014.

The accompanying notes are an integral part of this schedule.

TOWN OF EMMITSBURG, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

(1) BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grants of the Town which had financial activity during the year ended June 30, 2015 or (accrued)/deferred grant revenue at June 30, 2014. This schedule has been prepared in accordance with generally accepted accounting principles.

The financial statements of the Town are presented in accordance with generally accepted accounting principles. Expenditures related to the construction of capital assets are reported as construction in progress on the Statement of Net Position. For government grant reporting, these costs are accounted for as expenditures.

(2) PROJECT EXPENSES RELATED TO WASTEWATER TREATMENT PLANT UPGRADE

The Wastewater Treatment Plant Upgrade has been ongoing for a number of years. The Town was awarded funds from the U.S. Department of Agriculture, Rural Utilities Service and the Maryland Department of the Environment (state funds) to finance the project in fiscal year 2011.

Federal financial assistance was provided in the form of grants and loans as follows:

Rural Utilities Service (RUS) loan, initial loan	\$5,419,000
Loan modification	<u>1,001,000</u>
Total loans to be provided by RUS	<u>\$6,420,000</u>
Rural Utilities Service grant, initial award	\$1,501,000
Grant modification	<u>1,000,000</u>
Total grants to be provided by RUS	<u>\$2,501,000</u>

The loan modification and grant modification noted above occurred in May 2014.

The Town had interim financing in place with a local financial institution for \$5,419,000. The Town repaid the loan in fiscal year 2015 with proceeds from RUS.

TOWN OF EMMITSBURG, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

**(2) PROJECT EXPENSES RELATED TO WASTEWATER TREATMENT PLANT UPGRADE
(CONTINUED)**

The interim loan of \$5,419,000 reported federal expenditures as follows in prior years:

2012	\$ 615,036
2013	950,270
Adjustments *	350,001
2014	3,297,139
2015	<u>206,554</u>
Total	<u>\$5,419,000</u>

*Changes for costs later funded by federal sources and not MDE

Beginning in fiscal year 2015, the supplemental loan and grant had activity, as reflected in the accompanying schedule of expenditures of federal awards.

TOWN OF EMMITSBURG, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? yes X no
- Significant deficiencies that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? yes X no
- Significant deficiencies that are not considered to be material weaknesses? yes X no

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings that are required to be reported in accordance with section 510(a) of Circular A-133? yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.760 & 10.781	Water and Waste Disposal Systems for Rural Communities (Cluster)

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as a low-risk auditee? yes X no

TOWN OF EMMITSBURG, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None