TOWN OF EDMONSTON, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2016

TOWN OF EDMONSTON

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Independent Auditor's Report

Honorable Mayor
Members of the Town Council
Town Manager
Town of Edmonston, Maryland

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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. 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 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 and each major fund of the Town of Edmonston, Maryland as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity 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, the budgetary comparison information, and the pension-related supplementary information on pages 4 through 9, 40 and 41, respectively, 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 Edmonston, Maryland's financial statements as a whole. The Schedule of Revenues-Budget and Actual and Schedule of Expenditures-Budget and Actual ("supplemental schedules") on pages 42 through 45 are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Smedley + Associates, LLC

October 17, 2016

TOWN OF EDMONSTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The following information includes our discussion and analysis of the financial performance of the Town of Edmonston and provides an overview of the Town's financial activities for the year ended June 30, 2016. Please read it in conjunction with the transmittal letter and the Town's financial statements.

Financial Highlights

- The Town of Edmonston continues to work diligently to reduce expenditures in all departments and continuously seeks to obtain new sources of revenue. We were able to negotiate with a major employer to pay all of the Business Personal Property Tax owed the Town for 3 years. We continue to apply for and receive new grants and have a reasonable degree of assurance of obtaining some if not all of the grants. During the fiscal year, we were successful in obtaining a grant that will provide funds to design the Town's second "Green" street.

- The State of Maryland Department of Assessments and Taxation certified the assessable base for the town of Edmonston increased from $138,839,536 to $143,655,432 which allowed the Town to utilize the constant yield rate for property taxes and did not increase for FY 2016-17.

- We continue to monitor all business properties to assure an increase in Personal Property Taxes and that there is full compliance with the Town's business license requirements. This has been aided by the work of a full time Code Enforcement Officer.

- The Town was successful with a number of grants during the year. They included a grant from the Maryland Department of Energy for an electric GEM vehicle for the Public Works Departments and a grant to replace the insulation in the Town Hall attic, a $75,000 grant to design a 2nd Green Street in Edmonston, a $179,000 Safe Routes to Schools grant to construct sidewalks on two streets in FY16-17. The town was successful with a grant to bring a full time intern on board to focus on environmental issues. The grant is funded fully by the Chesapeake Bay Trust.

- The Town is working on a capital improvement plan that will identify short-term and long-term capital expenditure requirements. The first step in the process was the development of a concept plan for a bicycle/pedestrian master plan. In addition, the Town's streets were reviewed for priority of repair. An engineer is reviewing Decatur street for potential planning of repairs of the "green" street.

- The Town continues to move surplus funds at the end of the fiscal year to a reserve account. This ensures that future obligations are met during times of economic uncertainty. The Town will move $100,000 to the reserves for fiscal year FY15-16 and has budgeted to move $100,000 to the reserves at the end of FY16-17.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities are government-wide statements that provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements report the Town's operation in more detail than the government-wide statements by providing information about the Town's most significant funds and individual parts.

Reporting the Town as a Whole

The Statement of the Net Position and the Statement of Activities

One of the most important questions asked about the Town's finances is, "Is the Town as a whole, better off or worse off as a result of the year's activities?" The statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps to answer this question. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report changes in the Town's net position. You can think of the Town's net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows) as one way to measure the Town's financial health or position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activity:

- Governmental Activity- All of the Town's basic services are reported here, including the police, general government, public works, fire, economic development, and recreation. Taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type Activity – The Town currently has no business-type activities.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. The Town's government fund:

- Governmental funds- All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic service it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

  We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation to the right of the fund financial statements.

The Town as a Whole

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self- financing through fees and grants. Some of the individual line item revenues reported for each function are:

General Government	Rental License Fees
Public Safety	State Grants, Homeland Security Grant, and Vehicle Release Fees
Public Works	Highway User Revenues, Stormwater Management Payment, and Landfill Rebate Charges

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted to a specific purpose.

Government-Wide Financial Information

The following is selected information as of June 30, 2016 and for the previous year ended provided for comparison purposes.

	2015	2016
Current assets	$ 700,972	$ 1,199,840
Capital assets	1,727,447	1,634,612
Total assets	2,602,208	3,070,659
Deferred outflows	19,330	36,117
Total assets and deferred outflows	2,621,538	3,106,776
Current liabilities	101,417	173,895
Long-term liabilities	698,860	671,447
Total liabilities	800,277	845,342
Deferred inflows	14,514	14,864
Net Position		
Net investment in capial assets	1,154,530	1,080,878
Restricted	4,981	4,987
Unrestricted	647,236	1,160,705
Total net position	1,806,747	2,246,570
Total liabilities, deferred inflows, and net position	2,607,024	3,106,776
Program revenues		
Charges for services	238,065	437,884
Grants and contributions	102,025	160,263
General revenues		
Income taxes	112,717	106,925
Property taxes	1,159,554	1,284,612
Total general revenues	1,332,265	1,463,044
Transfers	-	-
Total revenues and transfers	1,672,355	2,061,191
Expenses		
General government	290,156	339,426
Public safety	764,408	753,154
Public works	404,251	511,566
Interest	15,803	17,222
Total expenses and transfers	1,474,618	1,621,368
Change in net position	197,737	439,823
Net position, beginning of year	1,609,010	1,806,747
Net position, end of year	1,806,747	2,246,570

Business-type Activities

The Town currently has no business-type activities.

The Town's Funds

The following schedule presents a summary of revenues and expenditures for the fiscal year ended June 30, 2016 and the increases and decreases in relation to the prior year.

	FY2016 Amount	Percent of Total	Increase (Decrease) From FY2015
Revenues			
Taxes	$ 1,401,399	70%	$ 126,502
Intergovernmental	160,263	8%	58,238
Licenses and permits	100,504	5%	67,543
Miscellaneous	334,718	17%	123,406
	$ 1,996,884	100%	$ 375,689
Expenditures			
General government	$ 328,787	20%	$ 51,958
Public safety	734,539	46%	(59,416)
Public works	380,701	24%	181,157
Capital outlays	80,310	5%	(12,283)
Debt service	77,951	5%	(7,897)
	$ 1,602,288	100%	$ 153,519

Budgetary Highlights

There were budgetary amendments during the year. At a special meeting on June 23, 2016, both expenditures and revenues increased and the final amendment was adopted by a majority of the Town Council.

Capital Asset and Debt Administration

Capital Assets

Major capital additions for the year included $80,310 for building, equipment and infrastructure.

Debt

The Town added $41,546 in long-term debt and retired $60,729. At year-end, the outstanding balance was $553,734.

Economic Factors and Next Year's Budget and Rates

The Town as an active member of the "Port Towns" is working with the State of Maryland, Prince George's County and the Port Towns CDC in exploring funding opportunities for four communities. The first step was the creation of an ECO District. The ECO District is defined as an urban planning area aiming to integrate objectives of "sustainable development" and reduce the ecological footprint.

1. Sustainability
2. Economic Vitality and Diversity
3. Raising the "bar" for our communities to acquire better shops and services, cleaner businesses and creating a niche.

These effects should increase our tax base for the future, providing greater reserves.

As a result of the increase in the assessable tax base for FY'14 –'15, the Town was able to increase staffing and improve management techniques. The Property Tax Rate changed from FY'15 -'16 to FY16-17. The rate decreased from $.66 per $100 assessed to $.6379.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact The Town Administrator at 5005 52nd Avenue, Edmonston, Maryland 20781.

TOWN OF EDMONSTON, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Total
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	$ 713,239	$ 713,239
Cash and cash equivalents - restricted	4,987	4,987
Investments	262,556	262,556
Accounts receivable - income taxes	19,393	19,393
Other accounts receivable	150,826	150,826
Parking tickets receivable	31,415	31,415
Red light fines receivable - net of allowances	2,810	2,810
Other assets	14,614	14,614
Total Current Assets	1,199,840	1,199,840
Noncurrent Assets		
Fines receivable - net of allowances	236,207	236,207
Net capital assets	1,634,612	1,634,612
Total Noncurrent Assets	1,870,819	1,870,819
TOTAL ASSETS	3,070,659	3,070,659
DEFERRED OUTFLOWS OF RESOURCES	36,117	36,117
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 3,106,776	$ 3,106,776
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 110,249	$ 110,249
Amounts held in escrow	5,401	5,401
Current portion of long-term debt	58,245	58,245
Total Current Liabilities	173,895	173,895
Noncurrent Liabilities		
Compensated absences	4,283	4,283
Net pension liability	171,675	171,675
Loan payable - long-term	495,489	495,489
Total Noncurrent Liabilities	671,447	671,447
TOTAL LIABILITIES	845,342	845,342
DEFERRED INFLOWS OF RESOURCES	14,864	14,864
NET POSITION		
Net investment in capital assets	1,080,878	1,080,878
Restricted	4,987	4,987
Unrestricted	1,160,705	1,160,705
TOTAL NET POSITION	2,246,570	2,246,570
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 3,106,776	$ 3,106,776

The accompanying notes to these financial statements are an integral part of this statement.

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

Functions/Programs	Expenses	Indirect Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position, Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position, Primary Government: Total
Primary Government							
Governmental Activities:							
General government	$ 339,426	$ 419	$ 126,607	$ -	$ -	$ (213,238)	$ (213,238)
Public safety	753,154	3,572	311,277	143,775	-	(301,675)	(301,675)
Public works	511,566	13,231	-	16,488	-	(508,309)	(508,309)
Interest expense	17,222	(17,222)	-	-	-	-	-
Total Governmental Activities	1,621,368	-	437,884	160,263	-	(1,023,222)	(1,023,222)
Total Primary Government	$ 1,621,368	$ -	$ 437,884	$ 160,263	$ -	$ (1,023,222)	$ (1,023,222)
General revenues:							
Taxes							
Income taxes						106,925	106,925
Property taxes						1,284,612	1,284,612
Other taxes						11,751	11,751
Interest and investment earnings						1,174	1,174
Miscellaneous						58,582	58,582
Total General Revenues						1,463,044	1,463,044
Transfers in (out)						-	-
Change in Net Position						439,823	439,823
Net Position, beginning of year						1,806,747	1,806,747
Net Position, end of year						$ 2,246,570	$ 2,246,570

The accompanying notes to these financial statements are an integral part of this statement.

TOWN OF EDMONSTON, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents - unrestricted	$ 713,239	$ 713,239
Cash and cash equivalents - restricted	4,987	4,987
Investments	262,556	262,556
Accounts receivable - income taxes	19,393	19,393
Other accounts receivable	150,826	150,826
Accounts receivable - parking tickets	31,415	31,415
Accounts receivable - red light fines	2,810	2,810
Other assets	14,614	14,614
TOTAL ASSETS	1,199,840	1,199,840
DEFERRED OUTFLOWS OF RESOURCES	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,199,840	$ 1,199,840
LIABILITIES		
Accounts payable and accrued expenses	$ 110,249	$ 110,249
Amounts held in escrow	5,401	5,401
TOTAL LIABILITIES	115,650	115,650
DEFERRED INFLOWS OF RESOURCES	19,393	19,393
FUND BALANCES		
Restricted	4,987	4,987
Unassigned	1,059,810	1,059,810
TOTAL FUND BALANCES	1,064,797	1,064,797
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,199,840	$ 1,199,840

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total Governmental Fund Balances	$ 1,064,797
Long-term liabilities, including loans payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(729,692)
Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	19,393
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,634,612
Deferred outflows of resources pertaining to long-term liabilities are not reported in the funds	36,117
Deferred inflows of resources pertaining to long-term liabilities are not reported in the funds	(14,864)
Long-term receivables do not provide current resources and therefore are not reported in the funds.	236,207
Net Position of Governmental Activities	$ 2,246,570

The accompanying notes to these financial statements are an integral part of this statement.

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

	General Fund	Total Governmental Funds
REVENUES		
Taxes	$ 1,401,399	$ 1,401,399
Licenses and permits	100,504	100,504
Intergovernmental	160,263	160,263
Miscellaneous	334,718	334,718
Total Revenues	1,996,884	1,996,884
EXPENDITURES		
Current Operations		
General government	328,787	328,787
Public safety	734,539	734,539
Public works	380,701	380,701
Capital outlays	80,310	80,310
Debt Service		
Principal	60,729	60,729
Interest	17,222	17,222
Total Expenditures	1,602,288	1,602,288
Excess of revenues over (under) expenditures and other financing uses	394,596	394,596
Other financing sources (uses)		
Proceeds from long-term debt	41,546	41,546
Total other financing sources (uses)	41,546	41,546
Excess of revenue and other financing sources over (under) expenditures and other financing uses	436,142	436,142
Fund balance, beginning of year	628,655	628,655
Fund balance, end of year	$ 1,064,797	$ 1,064,797

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances - Total Governmental Funds	$ 436,142
Repayment of debt principal is reported in governmental funds, however, in the statement of activities, it is recorded as a reduction in long-term debt. This is the amount of principal debt repayment.	60,729
Pension expense related to net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	(22,641)
Proceeds from long-term debt are recorded as an other financing source in the funds, but not in the Statement of Activities. This is the amount of proceeds from long-term debt.	(41,546)
Differences in accounting for compensated absences between the accrual basis and the modified accrual basis.	35,667
Changes in deferred inflows of resources relating to income taxes do not use current resources and are not reported as a revenue in the funds.	1,889
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(92,835)
Certain revenues pertaining to parking and red light fines do not provide current financial resources and are not reported as revenue in the government funds.	62,418
Change in Net Position of Governmental Activities	$ 439,823

The accompanying notes to these financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Town of Edmonston, Maryland is a municipal corporation governed by an elected mayor and an elected town council and provides the following services as authorized by its charter: public safety, public works and general administrative services. The Town's major sources of revenues are real estate taxes, income taxes and usage taxes.

The accounting policies of the Town of Edmonston conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

In evaluating how to define the Town of Edmonston, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set by the Governmental Accounting Standards Board. Component units are legally separate organizations for which the elected officials of the Town are financially accountable and a financial benefit or burden relationship exists. In addition, component units can be other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading. Based upon the application of criteria set by the Governmental Accounting Standards Board, there are no separate component units of the Town.

Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Town's funds are grouped into one broad fund category.

Governmental funds include the General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The Town has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between or within funds). This is the same approach used in the preparation of the proprietary fund financial statements, if any, but 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 governmental funds.

Separate financial statements are provided for governmental funds, proprietary funds, if any, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

The government-wide statement of activities presents a comparison between expenses, and program revenues for each segment of the business-type activities, if any, of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect costs are allocated to programs. When both restricted and unrestricted resources are available for use, it is the town's policy to use restricted resources first, then unrestricted resources as needed. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Financial Statements

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise financial statements, if any, is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column.

Governmental Funds

Town activities pertaining to general government, public safety, and public works are reported in the governmental funds. All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The major governmental fund is:

- General Fund – This is the Town's primary operating fund. It is used to account for all financial resources except for those required to be accounted for in another fund.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within two months of year-end and available to pay obligations of the current period). These include property taxes, franchise taxes, investment earnings, charges for services and intergovernmental revenues.

Some revenues, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, some revenues are recorded as receivables and deferred inflows of resources.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments held at June 30, 2016 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Receivables

Receivables at June 30, 2016 consist of taxes, highway user revenue, fines, parking tickets, and franchise fees. Certain receivables are reduced to expected net realizable value by an allowance for doubtful accounts.

Inventory of Supplies

Inventories, if any, are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds, if any, when used.

Local Tax Reserve Fund

At June 30, 2016, the Town was advised by the State of Maryland that $19,393 of the Local Tax Reserve Fund was allocable to the Town. The Town recorded receivable and deferred inflows of resources in the amount of $19,393 in the fund financial statements. Changes in this amount have been reflected as current year income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deferred Outflows and Inflows of Resources

A *deferred outflow of resources* represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Likewise, a *deferred inflow of resources* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

As of June 30, 2016 the balance of deferred inflows of resources in the governmental fund financial statements consisted of income taxes of $19,393. The balance of deferred outflows of resources in the government-wide statements consists of $36,117 pertaining to payments to the Maryland State Retirement System.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Town as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as bridges, roads, curbs and gutters, streets, sidewalks, drainage systems and lighting systems are capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. Intangible assets are recognized if they are identifiable, and are amortized over their useful lives if they do not have indefinite useful lives.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years: improvements/infrastructure, 5 to 50 years; equipment, 2 to 20 years.

Restricted Reserves

The Town uses restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Interest Expense

Interest is expensed as incurred except when interest is incurred during the construction period and is capitalized as part of the cost of the asset.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Compensated Absences

The Town allows its eligible employees to accrue up to 240 hours of vacation leave. Any amounts over this maximum are forfeited at the end of the next calendar year. Upon employee termination, the Town pays up to the 240 hour maximum for vacation time. All other amounts are forfeited. As of June 30, 2016, the liability for compensated absences is $4,283. Vested annual leave is expensed in the appropriate fund. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates that were used.

Equity Classifications

Equity is classified as net position and is displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings, and reduced or increased by deferred inflows and outflows attributable to the acquisition, construction or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation and are reduced by liabilities and deferred inflows of resources related to those constraints.

Unrestricted net position – all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first and then unrestricted resources as needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

1. Non-Spendable Fund Balance – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts that can be spent only for specific purposes because of restrictions imposed externally by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by the Town Charter, Town Code or enabling legislation.
3. Committed Fund Balance – amounts that can be used only for specific purposes determined by a formal action by Town Council, the Town's highest level of decision-making authority, ordinance or resolution.
4. Assigned Fund Balance – amounts that are constrained by the Town's intent that they will be used for specific purposes but are neither restricted nor committed. Pursuant to the Town Charter, the Town Manager and the Town council are authorized to assign amounts for specific purposes.
5. Unassigned Fund Balance – all amounts not included in other spendable classifications.

The Town considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The Town also considers committed fund balances to spend first when other unrestricted fund balance classifications are available for use.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements for all funds:

Annual budgets are adopted for all Town funds. The Town Council may subsequently amend the budget and the budget was amended during fiscal year 2016. For day-to-day management control, expenditures may not exceed budget at the departmental level. The Town prepares an annual operating budget on a basis consistent with generally accepted accounting principles.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposit Policies

Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptance, and other available bank investments provided that approved securities are pledged to secure those funds deposited in an amount equal to the amount of those funds. In addition, the Town can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law and can invest in the State of Maryland Local Government Investment Pool.

The Town's deposits are insured by FDIC or collateralized with securities held by the Town, its agent, or by the pledging financial institution's trust department or agent in the name of the Town.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by collateral valued at 102 percent of principal and accrued interest. Collateral is to be held by the Town, its agent, or by the pledging financial institution's trust department or agent in the name of the Town.

At year-end, the carrying amount of the Town's deposits was $717,926 and the bank balances totaled $735,086. Of the bank balances, $480,099 was not insured by Federal Depository Insurance Corporation (FDIC).

NOTE 3 – DEPOSITS AND INVESTMENTS – continued

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town has no policy regarding credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town's policy provides that to the extent practicable, investments are matched with anticipated cash flows.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town has no policy regarding concentration of credit risk.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Town policy provides that investment collateral is held by a third party custodian with whom the Town has a current custodial agreement in the Town's name.

Generally, the Town's investing activities are managed by the Town Manager. Investing is performed in accordance with investment policies adopted by the Town Council complying with State Statutes and the Town Charter. Town funds may be invested in: 1) U.S. Treasury obligations; 2) U.S. Government Agency and U.S. Government-sponsored instrumentalities; 3) Repurchase agreements (master repurchase agreement required); 4) Collateralized certificates of deposit (only Maryland commercial banks) corporation, special district authority or political subdivision thereof, or in any fund or trust that invests only in the securities described in this paragraph; and 5) the Maryland Local Government Investment Pool.

Investments

The Town has invested at June 30, 2016, $262,556 in the State of Maryland Local Government Investment Pool (MLGIP). The pool is under the administrative control of the State's Treasurer's Office. The Town's investments are shown by type, carrying amount, fair value, cost and level of risk assumed in holding the various accounts. Investments are carried at cost which approximates market. The fair value of MLGIP investments is determined daily. PNC is currently contracted to operate the Pool and may invest in any instrument permitted by Section 6-222 of the State Finance and Procurement Article. The Town's fair value position in the Pool is the same as the value of pool share.

NOTE 3 – DEPOSITS AND INVESTMENTS – continued

As of June 30, 2016, the Town had the following investments:

Types of Investments	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings
MLGIP	$ 262,556	$ 262,556	AAAm
Total Investments	$ 262,556	$ 262,556	

Note: Ratings are provided where applicable to indicate associated Credit Risk.

NOTE 4 – PROPERTY TAXES

Real estate and personal property taxes are levied based on the State of Maryland's assessments.

Real estate taxes are levied on July 1 and are payable in two installments, October 1 and January 1, of the same year. After January 1, the Town charges both penalties and interest upon the unpaid balance. If the taxes remain unpaid the property is placed with Prince George's County for tax sale the following May.

Personal property taxes are levied throughout the year when the assessment is received from the State of Maryland. The taxes are payable within 30 days after levy. Penalties and interest are charged on any unpaid taxes after the thirty days has expired.

The real and personal property tax rates during fiscal year 2016 were $0.66 and $1.50 per $100 of assessed value, respectively.

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	$ 102,003	$ -	$ -	$ 102,003
Construction in progress	-	-	-	-
Subtotal	102,003	-	-	102,003
Depreciable capital assets:				
Buildings	232,590	-	-	232,590
Furniture & equipment	355,815	19,676	-	375,491
Vehicles	525,708	60,634	-	586,342
Land improvements	7,411	-	-	7,411
Infrastructure	2,042,264	-	-	2,042,264
Subtotal	3,163,788	80,310	-	3,244,098
Total capital assets	3,265,791	80,310	-	3,346,101
Accumulated depreciation:				
Buildings	121,442	5,018	-	126,460
Furniture & equipment	304,875	22,475	-	327,350
Vehicles	422,129	30,124	-	452,253
Land improvements	4,411	494	-	4,905
Infrastructure	685,487	115,034	-	800,521
Subtotal, accumulated depreciation	1,538,344	173,145	-	1,711,489
Net capital assets	$ 1,727,447	$ (92,835)	$ -	$ 1,634,612

Depreciation was charged to functions as follows:

Government activities:	
General government	$ 10,863
Public safety	30,110
Public works	132,172
Total government activities depreciation expense	$ 173,145

The Town has no material construction commitments as of June 30, 2016.

NOTE 6 – ACCOUNTS RECEIVABLE

The Town has current and non-current receivables. Current receivables are amounts which are expected to be paid in 60 days. The current receivables total $219,058 and consist of: $19,393 for income taxes, $165,440 for other accounts receivables, $2,810 for red light cameras and $31,415 for parking tickets. Non-current receivables are amounts which are not expected to be paid in 60 days. The non-current receivables total $150,435 for parking tickets and red light fines. Bad debt expense and allowance for doubtful accounts are items which may not expect to be collected due to the age of the receivable. The Town has established an allowance for doubtful accounts in the amount of $144,908 for parking tickets. The Town has established an allowance in the amount of $144,458 for red light fines.

NOTE 7 – DEFERRED COMPENSATION PLANS

The Town offers a Deferred Compensation Plan to its employees in accordance with Section 457 of the Internal Revenue Code. The plan, available to all Town employees, permits employees to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their salary deferrals are invested. Investment options include the following: stock funds, bond funds, and money market accounts, including various risk alternatives. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is administered by the ICMA Retirement Corporation (ICMA-RC). During the year ended June 30, 2016, the Town's employees contributed $11,068 and the Town made its matching contribution of $4,030. ICMA-RC has the responsibility for investing the funds, maintaining detailed accounting records for the individual employee and the Town, and disbursing funds to plan participants.

In compliance with the Internal Revenue Code Section 457(g), all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the fair value of the plan assets at June 30, 2016 is not reflected in the Town's financial statements.

NOTE 8 – RETIREMENT PLAN

The Town participates in the Maryland State Pension System (the "System") described below and qualifies as a Participating Governmental Unit ("PGU"). The State Retirement Agency (the "Agency") is the Plan administrator and fiduciary. GASB No. 68 requires that a PGU recognize its proportionate share of the System's net pension liability (i.e., unfunded pension liability) and pension expense. The Town's proportionate share of the net pension liability is based on total System contributions and approximates $171,675 as of the measurement date of June 30, 2015.

GASB No. 71 requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources. The Town's fiscal 2016 contribution of $13,387 is therefore recognized as a pension-related deferred outflow of resources. The presentation of the net pension liability and pension expense in accordance GASB 68 and GASB 71 required the restatement of the beginning net position.

During the year ended June 30, 2015, the Town elected to join the State of Maryland Alternate Contributory Pension Selection System (ACPS). The Plan is part of the Maryland State Retirement and Pension System (the State System), and is a cost-sharing multiple-employer public employee retirement system. The State System provides pension, death, and disability benefits to plan members and beneficiaries.

NOTE 8 – RETIREMENT PLAN – continued

A. Description of Plans

The State of Maryland identifies multiple-employer defined benefit pension plans as cost-sharing plans.

On October 1, 1941, the Employees' Retirement System of the State of Maryland was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension System was established.

The Employees' Pension System of the State of Maryland (Pension System) was established January 1, 1980. The Pension System covers employees hired after December 31, 1979, as well as Retirement System participants who have voluntarily joined the Pension System. The Employees Contributory Pension System of the State of Maryland (Contributory Pension System) was established July 1, 1998. The Town elected to participate in the Contributory Pension System effective May 1, 2005.

Under the terms of the Contributory Pension System, a member hired may retire with full benefits upon attaining age 60 or after completing 30 years of eligible service regardless of age. A member may retire with reduced benefits prior to attaining age 60 after completing 25 years of eligible service. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested retirement allowance upon age 60.

Under the terms of the Contributory Pension System, a member hired before July 1, 2011 may retire after 30 years of service regardless of age; at age 65 with two years of service; at age 64 with three years of service; at age 63 with four years of service; or at age 62 with at least five years of service. An employee hired before July 1, 2011 may also take early retirement with reduced benefits at age 55 with 15 years of service. A member hired before July 1, 2011 terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested pension allowance upon reaching age 62. Members hired on or after July 1, 2011 may retire when their age and years of eligibility service totals 90 years or at age 65 with 10 years of eligibility service. Members hired on or after July 1, 2011 may retire with reduced benefits at age 60 with 15 years of eligibility service. A member hired on or after July 1, 2011 terminating employment before attaining retirement age, but after completing ten years of eligible service becomes eligible for a vested pension allowance upon reaching age 65.

NOTE 8 – RETIREMENT PLAN – continued

On retirement from service, a member of any of these plans shall receive an annual service retirement allowance based on the member's average final compensation and years of creditable service multiplied by a factor. This factor varies from 1.2% to 2.0% per eligible service year, depending on employee/employer contributions and other plan-specific provisions. Early retirement, where available, is subject to provisions that reduce the benefit received.

Benefits under the two plans are established under the State Personnel and Pensions Article of the Annotated Code of Maryland.

Benefits are established under the State Personnel and Pensions Article of the Annotated Code of Maryland. The plan is administered by the Maryland State Retirement Agency.

The Maryland State Retirement Agency issues a comprehensive annual financial report that includes disclosures regarding: plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The pension plans' fiduciary net position has been determined on the same basis used by the pension plans. The pension plans' financial statements are prepared on the accrual basis of accounting and are prepared in accordance with principles generally accepted in the United States of America that apply to governmental accounting for fiduciary funds. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Actual employer contributions billed to participating governmental units for the year ending June 30, 2015 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. The contributions were adjusted by increasing contributions by approximately $251,000,000 to adjust for differences between actuarially determined contributions and actual contributions by the State of Maryland. This report can be obtained from the agency's office as follows:

State Retirement and Pension System of Maryland
120 E. Baltimore Street, Suite 1601
Baltimore, Maryland 21202-1600

NOTE 8 – RETIREMENT PLAN – continued

Funding Policy

Obligations to contribute to the plans are under the Annotated Code of Maryland. Members of the pension plan contribute 7% of annual compensation during employment. The required contribution rate is determined on an actuarially determined basis. During the year ended June 30, 2016 the Town contributed $13,387. The Town contributed 100% of its required contribution for the year ended June 30, 2016. For members of the pension plan, full service pension allowances equal 2% of average final compensation (AFC) up to a maximum benefit of 60% of AFC (30 years of credit).

Required contributions under the plans are not funded by both employee and Town contributions but are funded entirely by the Town. Contributions by the Town take place during the fiscal year and are based upon salaries for the preceding fiscal year. The Town contributions for the year ending June 30, 2016 are based on salaries for the year ending June 30, 2015. The contribution requirements of plan members of the reporting entity are established and may be amended by the Maryland State Pension System Board of Trustees, and contributions by the Town are authorized by the Town Council. The required and actual contributions for the fiscal years ending June 30th were as follows:

	Fiscal Year Ending June 30		
	2016	2015	2014
Retirement plan contributions	$ 13,387	$ 17,412	$ 19,702

The Town contributed $13,387 to the System for fiscal year 2016 which was actuarially determined based on statutory provisions. The Town has also recognized in Pension Expense its proportionate share of the System's deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets and its proportionate share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.

NOTE 8 – RETIREMENT PLAN – continued

Required disclosures aggregate for the plan:

	Maryland State Pension System
Total pension liability	$ 66,571,552,000
Total fiduciary net position	45,789,840,000
Town's proportionate share of total pension liabilities	171,675
Town's proportionate share of net pension liabilities	0.0008261%
Total pension assets	45,789,840,000
Measurement date of collective net pension liability	June 30, 2015
Date of actuarial valuation	June 30, 2015
Deferred outflows related to pensions	36,117
Deferred inflows related to pensions	14,864
Pension expense/expenditures for the period	22,641

Actuarial assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2015 rolled forward to June 30, 2016. The key assumptions used to perform the June 30, 2016 pension liability calculation for the System are as follows:

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset valuation method	5-year smoothed market; 20% collar
Inflation (b)	2.95% general, 3.45% wage
Salary Increases	3.45% to 11.9%, including inflation
Discount Rate (a)	7.55%
Investment Rate of Return (b)	7.55%
Retirement age	Experience-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 the year 2025

(a) Discount rate at prior measurement date was 7.65%.

(b) There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2015 valuation:

a. Investment return assumption changed from 7.65% to 7.55%.

b. Inflation assumption changed from 2.90% to 2.70%.

NOTE 8 – RETIREMENT PLAN – continued

The components of the net pension liability for the System as of June 30, 2015, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total Pension Liability	$66,571,552,000
Plan Fiduciary Net Position	45,789,840,000
Net Pension Liability	$20,781,712,000
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.78%

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Pension System's Board after considering input from the investment consultant(s) and actuary(s). For each major asset class that is included in the Pension System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocations	Long-term Expected Real Rate of Return
Public Equity	35%	6.30%
Fixed income	10%	0.60%
Credit opportunity	10%	3.20%
Real return	14%	1.80%
Absolute return	10%	4.20%
Private equity	10%	7.20%
Real estate	10%	4.00%
Cash	1%	0.00%
Total	100%	

The above was the Pension System's Board of Trustee's adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2015.

NOTE 8 – RETIREMENT PLAN – continued

Discount Rate

A single discount rate of 7.55% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer 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 System's net pension liability and the Town's proportionate share of the System's net pension liability, calculated using a single discount rate of 7.55%, a single discount rate that is 1-percentage point lower (i.e., 6.55%), and a single discount rate that is 1-percentage point higher (i.e., 8.55%).

	1% Lower – 6.55%	Current Rate – 7.55%	1% Higher – 8.55%
The System's Net Pension Liability	$29,371,763,000	$20,781,712,000	$13,658,848,000
The Town's Proportionate Share Of Net Pension Liability	$242,636	$171,675	$112,834

NOTE 8 – RETIREMENT PLAN – continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Town reported a liability of $171,675 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2015, the Town's proportion was approximately 0.0008261 percent.

For the year ended June 30, 2016, the Town recognized pension expense of $22,641. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Changes of assumptions	$7,609	$ -
Net difference between projected and actual earnings on pension plan investments	15,121	14,864
Contributions subsequent to the measurement date	13,387	-
Total	$36,117	$14,864

The deferred outflows of resources of $13,387 relating to contributions subsequent to the measurement date will be recognized as a reduction of the Town's net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources are being amortized over a five-year period beginning in fiscal 2016. These unamortized amounts will be ratably recognized in pension expense over the next four years.

NOTE 8 – RETIREMENT PLAN – continued

Net Pension Liability

The components of the Town's proportionate share of the Pension System's net pension liability as of the measurement date of June 30, 2015 were as follows:

Total pension liability	$	549,939
Plan Fiduciary Net Position		378,264
Net Pension Liability	$	171,675
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		68.78%

NOTE 9 – LONG-TERM OBLIGATIONS

In September 2008, the Town leased a Chevrolet Silverado for use by the public works department. Seventy-two monthly payments of $665, including principal and interest, are due beginning November 15, 2008 and concluding October 15, 2014. The truck was capitalized for $33,679. The remaining principal balance at June 30, 2016 is $0.

In August 2014, the Town leased a Ford Interceptor for use by the police department. Forty-eight monthly payments of $9,412, including principal and interest, are due beginning August 1, 2014 and concluding on July 1, 2018. The truck was capitalized for $40,312. The remaining principal balance at June 30, 2016 is $21,334.

In July 2015, the Town leased a Ford Interceptor for use by the police department. Eight semi-annual payments in advance of $5,769, including principal and interest, are due beginning July 24, 2015 and concluding on January 24, 2019. The truck was capitalized for $41,546. The remaining principal balance at June 30, 2016 is $26,296.

NOTE 9 – LONG-TERM OBLIGATIONS – continued

In July 2013, the Town leased a copier for general office use. Forty-eight monthly payments of $270, including principal and interest, are due beginning July 15, 2013 and concluding June 15, 2017. The copier was capitalized for $11,724. The principal balance remaining as of June 30, 2016 is $3,197.

In July 2011, the Town issued $650,000 in general obligation bonds to TD Bank, N.A., with a fixed interest rate of 2.50% per annum due July 31, 2028. The bonds, which are for street improvements and related construction, are payable in twice annual installments comprised of principal and interest, due July 31 and January 31 in the amount of approximately $23,585, based upon a 18 year amortization period. The principal balance as of June 30, 2016 is $502,907.

	July,1 2015	Additions	Retirements	June 30, 2016	Amount Due Within 1 Year
Truck Lease 09	$ 42	$ -	$ 42	$ -	$ -
G.O. Bonds	536,548	-	33,641	502,907	35,091
Copier Lease 14	6,155	-	2,958	3,197	3,154
SUV Lease 15	30,172	-	8,838	21,334	10,257
SUV Lease 16	-	41,546	15,250	26,296	9,743
	$ 572,917	$ 41,546	$ 60,729	$ 553,734	$ 58,245

	July,1 2015	Additions	Reductions	June 30, 2016
Compensated Absences	$ 39,950	$ -	$ 35,667	$ 4,283

Debt service requirements pertaining to leases are as follows:

Year(s) Ending June 30	Principal	Interest	Total
2017	$ 17,625	$ 2,919	$ 20,544
2018	21,246	1,587	22,833
2019	11,956	524	12,480
Total	$ 50,827	$ 5,030	$ 55,857

NOTE 9 – LONG-TERM OBLIGATIONS – continued

Debt service requirements pertaining to bonds are as follows:

Year(s) Ending June 30	Principal	Interest	Total
2017	$ 35,091	$ 12,376	$ 47,467
2018	35,668	11,501	47,169
2019	36,565	10,604	47,169
2020	37,485	9,684	47,169
2021-2025	202,054	33,791	235,845
2026-2029	156,044	7,956	164,000
Total	$ 502,907	$ 85,912	$ 588,819

NOTE 10 – COMPTROLLER OF THE TREASURY OF MARYLAND V. WYNNE

In 2015, in *Comptroller of the Treasury of Maryland v. Wynne*, the Supreme Court invalidated a portion of Maryland's personal income tax scheme after determining that it inherently burdened the earnings of individuals who resided in one state but earned income in another.

In response, Maryland has enacted corrective legislation allowing a credit for Maryland residents against personal income tax for income taxed by other states. The Court had ruled that the failure of Maryland law to allow such a credit rendered Maryland's personal income tax scheme unconstitutional.

As of June 2016, the Comptroller's Office has not identified any returns in the Town that were amended as a result of the Wynne case. As taxpayers have three years to amend their returns, the Town could be impacted in future years.

NOTE 11 – CONCENTRATIONS

The Town derives most of its revenues, except grants, from its citizens. The Town provides various services to its residents. The Town is located in northern Prince George's County, Maryland.

NOTE 12 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to workers; and natural disasters.

The Town has an insurance agreement with the Local Government Insurance Trust (LGIT), a public entity risk pool. LGIT provides the Town's property, general, automobile, employee, health, police and public officials' legal liability insurance coverage.

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

Premiums are charged to the Town's General Fund, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments during the year ended June 30, 2016 and the amount of settlements has not exceeded coverage for each of the past three years.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

The Town receives grants from time-to-time. Expenditures from certain grants are subject to audit by the grantor, and the Town is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the Town's management, no material refunds will be required as a result of disallowed expenditures.

NOTE 14 – FUND BALANCE REPORTING

Fund balances for the Town's governmental funds consisted of the following as of June 30, 2016:

Restricted Fund Balances

At year-end, the balance of the general obligation bond money was restricted for infrastructure projects. At June 30, 2016, this amount was $4,987.

Unassigned Fund Balances

All remaining fund balances are unassigned. At June 30, 2016, this amount was $1,059,810.

NOTE 15 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions,* issued June 2015, effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* issued June 2015, effective for financial statements for fiscal years beginning after June 15, 2017.

Statement No. 77, *Tax Abatement Disclosures,* issued August 2015, effective for financial statements for fiscal years beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* issued December 2015, effective for financial statements for fiscal years beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14,* issued March 2016, effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split-Interest Agreements,* issued March 2016, effective for financial statements for fiscal years beginning after December 15, 2016.

Statement No. 82, *Pension Issues – an amendment of GASB States No. 67, No. 68, and No. 73,* issued March 2016, effective for financial statements for fiscal years beginning after June 15, 2016.

The Town will implement these statements as necessary as of their effective dates. The Town is still in the process of determining the effect of implementing these GASB statements.

TOWN OF EDMONSTON, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES - UNAUDITED
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	$ 1,180,173	$ 1,244,436	$ 1,401,399	$ 156,963
Licenses and permits	50,500	57,854	100,504	42,650
Intergovernmental	74,618	158,653	160,263	1,610
Miscellaneous	164,639	273,186	334,718	61,532
Total Revenues	$ 1,469,930	$ 1,734,129	$ 1,996,884	$ 262,755
Expenditures				
General government	$ 328,557	$ 348,600	$ 338,145	$ 10,455
Public safety*	802,296	805,247	784,090	21,157
Public works	292,077	407,421	402,102	5,319
Debt service	47,000	72,861	77,951	(5,090)
Total Expenditures	$ 1,469,930	$ 1,634,129	$ 1,602,288	$ 31,841

*Includes capital outlay of $41,546 financed by new lease.

Town of Edmonston, MD
SCHEDULES OF REQUIRED PENSION-RELATED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	FY 2016
Town's proportion (%) of collective net pension liability	0.0008261%
Town's proportionate share ($) of collective net pension liability	$ 171,675
Town's covered-employee payroll($)	$ 513,485
Town's proportionate share of collective net pension liability as a percentage of its covered-employee payroll	33.43%
Pension plan's fiduciary net position as a percentage of the total pension liability	68.78%

SCHEDULE OF THE TOWN'S PENSION PLAN CONTRIBUTIONS
Last 10 Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 13,387	$ 17,412	Information for years 2014 and prior is not available.							
Contributions in relation to the contractually required contribution	13,387	17,412								
Contribution deficiency (excess)	-	-								
Town's covered-employee payroll	513,485	492,779								
Contributions as a percentage of covered-employee payroll	2.6%	3.5%								

The above schedules are presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

TOWN OF EDMONSTON, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variable Favorable (Unfavorable)
REVENUES			
Taxes			
Real estate	$ 906,678	$ 918,683	$ 12,005
Personal property	275,049	365,929	90,880
Local income taxes	50,958	105,036	54,078
Admissions and amusement	11,751	11,751	-
Total Taxes	1,244,436	1,401,399	156,963
Licenses and Permits			
Traders	34,300	70,432	36,132
Buildings and equipment	6,102	4,734	(1,368)
State business licenses	575	1,320	745
Cable TV franchise fee	16,877	24,018	7,141
Total Licenses and Permits	57,854	100,504	42,650
Intergovernmental			
Highway user revenue	13,976	12,988	(988)
Police grant	34,223	32,652	(1,571)
Other grants	107,829	111,123	3,294
Disposal fee rebate	2,625	3,500	875
Total Intergovernmental	158,653	160,263	1,610
Miscellaneous			
Interest income	650	1,174	524
Cable TV equipment grant	10,268	10,268	-
Fines and forfeitures	190,155	238,235	48,080
Vehicle releases	12,000	10,624	(1,376)
Apartment/rental inspections	25,104	26,103	999
Other	27,272	40,576	13,304
Asset liquidation	7,737	7,738	1
Total Miscellaneous	273,186	334,718	61,532
TOTAL REVENUES	$ 1,734,129	$ 1,996,884	$ 262,755

TOWN OF EDMONSTON, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variable Favorable (Unfavorable)
EXPENDITURES			
General Government			
Accounting and auditing	$ 4,952	$ 5,875	$ (923)
Salaries	124,000	116,893	7,107
Supplies and equipment	3,000	3,873	(873)
Advertising	1,500	1,357	143
Bank charges	800	586	214
Capital expenditures	10,321	9,358	963
Community events	28,755	21,635	7,120
Consultants	2,000	1,878	122
Contract services	18,000	17,189	811
Contributions	7,660	16,065	(8,405)
Dues, training and conventions	26,056	22,003	4,053
Employee events	1,624	1,363	261
Fuel	-	506	(506)
Grant expenditures	38,236	35,736	2,500
Insurance and bonds	6,033	5,859	174
Legal counsel	10,500	7,769	2,731
Medical/life insurance	4,008	5,784	(1,776)
Miscellaneous	10,500	20,409	(9,909)
Payroll taxes	11,655	9,119	2,536
Postage	1,500	1,089	411
Printing	9,000	9,261	(261)
Repairs and maintenance	4,000	5,024	(1,024)
State retirement	7,500	4,008	3,492
Telephone	10,500	9,058	1,442
Uniforms	500	-	500
Utilities	6,000	5,509	491
Vehicle maintenance	-	939	(939)
Total General Government	$ 348,600	$ 338,145	$ 10,455

TOWN OF EDMONSTON, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variable Favorable (Unfavorable)
Public Safety			
Accounting and auditing	$ 6,000	$ 5,832	$ 168
Vehicle maintenance	8,000	8,107	(107)
Capital expenditures	23,138	49,551	(26,413)
Community events	1,200	1,753	(553)
Fuel	25,000	13,800	11,200
Medical/life insurance	81,500	82,313	(813)
Legal	18,000	16,792	1,208
Dues, training and conventions	8,750	8,337	413
Miscellaneous	1,300	2,636	(1,336)
Payroll taxes	32,895	34,300	(1,405)
Postage	2,000	1,511	489
Printing	250	398	(148)
Insurance and bonds	20,456	19,099	1,357
Contract service	25,000	19,715	5,285
Repairs and maintenance	1,800	3,312	(1,512)
State retirement	13,318	11,477	1,841
Salaries	460,000	436,312	23,688
Supplies and equipment	7,000	6,998	2
Telephone	14,640	10,424	4,216
Uniforms	6,500	6,085	415
Utilities	6,000	4,835	1,165
Workers compensation	42,500	40,503	1,997
Total Public Safety	$ 805,247	$ 784,090	$ 21,157

TOWN OF EDMONSTON, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variable Favorable (Unfavorable)
Public Works			
Insurance and Bonds	$ 1,500	$ 1,238	$ 262
Capital expenditures	23,229	21,401	1,828
Consultants	6,925	6,925	-
Contract service	15,000	14,133	867
Fuel	4,000	2,396	1,604
Beautification	18,000	16,493	1,507
Medical/life insurance	18,662	17,300	1,362
Dump Fees	2,000	2,908	(908)
Miscellaneous	1,530	403	1,127
Mosquito control	481	482	(1)
Payroll taxes	6,746	6,610	136
Repairs and maintenance	65,000	74,985	(9,985)
State retirement	1,932	1,932	-
Salaries	90,051	83,882	6,169
Dues, training and conventions	101	101	-
Snow and ice removal	4,958	6,458	(1,500)
Street lighting	30,679	28,406	2,273
Supplies and equipment	12,000	11,386	614
Telephone	1,200	900	300
Trash/recycling contract	75,000	79,025	(4,025)
Tree maintenance	6,000	7,740	(1,740)
Uniforms	1,500	1,252	248
Vehicle maintenance	15,000	9,980	5,020
Workers compensation	5,927	5,766	161
Total Public Works	407,421	402,102	5,319
Total Expenditures before Debt Service and Transfer to Reserves	1,561,268	1,524,337	36,931
Debt Service	72,861	77,951	(5,090)
Transfer to Reserves	-	-	-
Total Expenditures	$ 1,634,129	$ 1,602,288	$ 31,841