

**TOWN OF EDMONSTON, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2017**

TOWN OF EDMONSTON

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JUNE 30, 2017

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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, 2017, 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, 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, there were prior period accounting errors pertaining to accounts payable, resulting in an understatement of previously reported equity. As a result, the Town has restated beginning Net Position by \$36,965 from \$2,246,570 to \$2,283,535 and beginning Fund Balance in the general fund by \$36,965 from \$1,064,797 to \$1,101,762. Our opinion is not modified with respect to this matter.

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.

October 23, 2017

**TOWN OF EDMONSTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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, 2017. 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 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, allow the construction of sidewalks for "Safe Routes to School", provide weatherization improvements for homeowners and a grant to repave streets.
- The State of Maryland Department of Assessments and Taxation certified the assessable base for the town of Edmonston increased from \$143,336,159 to \$148,197,323 which allowed the Town to utilize the constant yield rate for property taxes and did not increase for FY 2017-18.
- 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 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 FY17-18. 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 received \$81,000 from the Maryland Department of Energy for weatherization improvements to low-to-moderate income homeowners.
- The Town completed a study of Decatur Street to identify a phased approach to repairing the street. A stormwater project for Tanglewood in front of Community Forklift was approved for construction in the fall of 2017. The Town continues to move surplus funds at the end of the fiscal year to an investment account. This ensures that future obligations are met during times of economic uncertainty. The Town will moved \$100,000 to the reserves for fiscal year FY15-16 and \$50,009 in FY16-17. The balance at June 30, 2016 was \$414,460.08 to the investment account (reserves) at the end of FY16-17. This represents 25% of the annual budget for FY17018.

**TOWN OF EDMONSTON, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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.

**TOWN OF EDMONSTON, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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.

TOWN OF EDMONSTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Government-Wide Financial Information

The following is selected information as of June 30, 2017 and for the previous year ended provided for comparison purposes.

	<u>2016</u>	<u>2017</u>
Current assets	\$ 1,199,840	\$ 1,206,318
Capital assets	1,634,612	1,567,621
Total assets	3,070,659	3,072,564
Deferred outflows	36,117	43,106
Total assets and deferred outflows	3,106,776	3,115,670
Current liabilities	173,895	116,486
Long-term liabilities	671,447	680,667
Total liabilities	845,342	797,153
Deferred inflows	14,864	10,405
Net Position		
Net investment in capital assets	1,080,878	1,034,250
Restricted	4,987	4,987
Unrestricted	160,705	1,268,861
Total net position	2,246,570	2,308,112
Total liabilities, deferred inflows, and net position	3,106,776	3,115,670
Program revenues		
Charges for services	437,884	296,968
Grants and contributions	160,263	128,976
General revenues		
Income taxes	106,925	147,949
Property taxes	1,284,612	1,087,619
Total general revenues	1,463,044	1,304,970
Transfers	-	-
Total revenues and transfers	2,061,191	1,730,914
Expenses		
General government	339,426	429,467
Public safety	753,154	771,213
Public works	511,566	490,195
Interest	17,222	15,462
Total expenses and transfers	1,621,368	1,706,337
Change in net position	439,823	24,577
Net position, beginning of year - restated 2017	1,806,747	2,283,535
Net position, end of year	2,246,570	2,308,112

**TOWN OF EDMONSTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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, 2017 and the increases and decreases in relation to the prior year.

	FY2017 Amount	Percent of Total	Increase (Decrease) From FY2016
Revenues			
Taxes	\$ 1,245,538	74%	\$ (155,861)
Intergovernmental	128,976	8%	(31,287)
Licenses and permits	63,103	4%	(37,401)
Miscellaneous	231,019	14%	(103,699)
	<u>\$ 1,668,636</u>	<u>100%</u>	<u>\$ (328,248)</u>
Expenditures			
General government	\$ 398,900	24%	\$ 70,113
Public safety	733,871	43%	(668)
Public works	367,551	22%	(13,150)
Capital outlays	104,850	6%	24,540
Debt service	79,142	5%	1,191
	<u>\$ 1,684,314</u>	<u>100%</u>	<u>\$ 82,026</u>

Budgetary Highlights

There were budgetary amendments during the year. At a special meeting on June 23, 2017, both expenditures and revenues increased and the final amendment was adopted by a majority of the Town Council.

**TOWN OF EDMONSTON, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Capital Asset and Debt Administration

Capital Assets

Major capital additions for the year included \$104,850 for building, equipment and infrastructure.

Debt

The Town added \$43,317 in long-term debt and retired \$63,680. At year-end, the outstanding balance was \$533,371.

Economic Factors and Next Year’s Budget and Rates

The Town as an active member of the “Port Towns” and 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.

During FY16-17, the Port Towns CDC identified stormwater projects for each of the four Port Town communities. The Town continues to focus on recruiting “green” businesses.

As a result of the increase in the assessable tax base for FY’17 –’18, the Town was able to increase staffing and improve management techniques. The Property Tax Rate changed from FY16 -’17 to FY17-18. The rate decreased from \$.6379 per \$100 assessed value to \$.6170.

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, 2017

	Governmental Activities	Total
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 665,339	\$ 665,339
Cash and cash equivalents - restricted	5,001	5,001
Investments	414,460	414,460
Accounts receivable - income taxes	19,253	19,253
Other accounts receivable	70,175	70,175
Parking tickets receivable	31,415	31,415
Red light fines receivable - net of allowances	675	675
Total Current Assets	1,206,318	1,206,318
Noncurrent Assets		
Fines receivable - net of allowances	298,625	298,625
Net capital assets	1,567,621	1,567,621
Total Noncurrent Assets	1,866,246	1,866,246
TOTAL ASSETS	3,072,564	3,072,564
DEFERRED OUTFLOWS OF RESOURCES	43,106	43,106
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,115,670	\$ 3,115,670
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 52,263	\$ 52,263
Amounts held in escrow	5,401	5,401
Current portion of long-term debt	58,822	58,822
Total Current Liabilities	116,486	116,486
Noncurrent Liabilities		
Compensated absences	49,550	49,550
Net pension liability	156,568	156,568
Loan payable - long-term	474,549	474,549
Total Noncurrent Liabilities	680,667	680,667
TOTAL LIABILITIES	797,153	797,153
DEFERRED INFLOWS OF RESOURCES	10,405	10,405
NET POSITION		
Net investment in capital assets	1,034,250	1,034,250
Restricted	5,001	5,001
Unrestricted	1,268,861	1,268,861
TOTAL NET POSITION	2,308,112	2,308,112
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 3,115,670	\$ 3,115,670

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, 2017

Functions/Programs	Expenses	Indirect Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
				Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 429,467	\$ -	\$ 113,461	\$ 22,500	\$ -	\$ (293,506)	\$ (293,506)
Public safety	771,213	15,462	183,507	89,056	-	(514,113)	(514,113)
Public works	490,195	-	-	17,420	-	(472,775)	(472,775)
Interest expense	15,462	(15,462)	-	-	-	-	-
Total Governmental Activities	<u>1,706,337</u>	<u>-</u>	<u>296,968</u>	<u>128,976</u>	<u>-</u>	<u>(1,280,394)</u>	<u>(1,280,394)</u>
Total Primary Government	<u>\$ 1,706,337</u>	<u>\$ -</u>	<u>\$ 296,968</u>	<u>\$ 128,976</u>	<u>\$ -</u>	<u>\$ (1,280,394)</u>	<u>\$ (1,280,394)</u>
				General revenues:			
				Taxes			
				Income taxes		147,949	147,949
				Property taxes		1,087,619	1,087,619
				Other taxes		9,830	9,830
				Interest and investment earnings		2,974	2,974
				Miscellaneous		56,598	56,598
				Total General Revenues		<u>1,304,970</u>	<u>1,304,970</u>
				Transfers in (out)		-	-
				Change in Net Position		24,577	24,577
				Net Position, beginning of year		<u>2,283,535</u>	<u>2,283,535</u>
				Net Position, end of year		<u>\$ 2,308,112</u>	<u>\$ 2,308,112</u>

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

**TOWN OF EDMONSTON, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

**RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET POSITION OF
GOVERNMENTAL ACTIVITIES
JUNE 30, 2017**

	<u>General Fund</u>	<u>Total Governmental Funds</u>																	
ASSETS																			
Cash and cash equivalents - unrestricted	\$ 665,339	\$ 665,339																	
Cash and cash equivalents - restricted	5,001	5,001																	
Investments	414,460	414,460																	
Accounts receivable - income taxes	19,253	19,253																	
Other accounts receivable	70,175	70,175																	
Accounts receivable - parking tickets	31,415	31,415																	
Accounts receivable - red light fines	675	675																	
TOTAL ASSETS	<u>1,206,318</u>	<u>1,206,318</u>																	
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>																	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,206,318</u>	<u>\$ 1,206,318</u>																	
LIABILITIES																			
Accounts payable and accrued expenses	\$ 52,263	\$ 52,263																	
Amounts held in escrow	5,401	5,401																	
TOTAL LIABILITIES	<u>57,664</u>	<u>57,664</u>																	
DEFERRED INFLOWS OF RESOURCES	<u>19,253</u>	<u>19,253</u>																	
FUND BALANCES																			
Restricted	5,001	5,001																	
Unassigned	1,124,400	1,124,400																	
TOTAL FUND BALANCES	<u>1,129,401</u>	<u>1,129,401</u>																	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,206,318</u>	<u>\$ 1,206,318</u>																	
			<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"><i>Total Governmental Fund Balances</i></td> <td style="text-align: right; vertical-align: bottom;"><u>\$ 1,129,401</u></td> </tr> <tr> <td>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.</td> <td style="text-align: right; vertical-align: bottom;">(739,489)</td> </tr> <tr> <td>Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.</td> <td style="text-align: right; vertical-align: bottom;">19,253</td> </tr> <tr> <td>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</td> <td style="text-align: right; vertical-align: bottom;">1,567,621</td> </tr> <tr> <td>Deferred outflows of resources pertaining to long-term liabilities are not reported in the funds.</td> <td style="text-align: right; vertical-align: bottom;">43,106</td> </tr> <tr> <td>Deferred inflows of resources pertaining to long-term liabilities are not reported in the funds.</td> <td style="text-align: right; vertical-align: bottom;">(10,405)</td> </tr> <tr> <td>Long-term receivables do not provide current resources and therefore are not reported in the funds.</td> <td style="text-align: right; vertical-align: bottom;"><u>298,625</u></td> </tr> <tr> <td><i>Net Position of Governmental Activities</i></td> <td style="text-align: right; vertical-align: bottom;"><u>\$ 2,308,112</u></td> </tr> </table>	<i>Total Governmental Fund Balances</i>	<u>\$ 1,129,401</u>	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.	(739,489)	Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	19,253	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,567,621	Deferred outflows of resources pertaining to long-term liabilities are not reported in the funds.	43,106	Deferred inflows of resources pertaining to long-term liabilities are not reported in the funds.	(10,405)	Long-term receivables do not provide current resources and therefore are not reported in the funds.	<u>298,625</u>	<i>Net Position of Governmental Activities</i>	<u>\$ 2,308,112</u>
<i>Total Governmental Fund Balances</i>	<u>\$ 1,129,401</u>																		
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.	(739,489)																		
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Long-term receivables do not provide current resources and therefore are not reported in the funds.	<u>298,625</u>																		
<i>Net Position of Governmental Activities</i>	<u>\$ 2,308,112</u>																		

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, 2017

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, 2017

	General Fund	Total Governmental Funds		
REVENUES				
Taxes	\$ 1,245,538	\$ 1,245,538	Net Change in Fund Balances - Total Governmental Funds	\$ 27,639
Licenses and permits	63,103	63,103	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.	
Intergovernmental	128,976	128,976	This is the amount of principal debt repayment.	63,680
Miscellaneous	231,019	231,019	Pension expense related to net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	26,555
Total Revenues	1,668,636	1,668,636	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.	(43,317)
EXPENDITURES			Differences in accounting for compensated absences between the accrual basis and the modified accrual basis.	(45,267)
Current Operations			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.	(140)
General government	398,900	398,900	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.	(66,991)
Public safety	733,871	733,871	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
Public works	367,551	367,551	<i>Change in Net Position of Governmental Activities</i>	\$ 24,577
Capital outlays	104,850	104,850		
Debt Service				
Principal	63,680	63,680		
Interest	15,462	15,462		
Total Expenditures	1,684,314	1,684,314		
Excess of revenues over (under) expenditures and other financing uses	(15,678)	(15,678)		
Other financing sources (uses)				
Proceeds from long-term debt	43,317	43,317		
Total other financing sources (uses)	43,317	43,317		
Excess of revenue and other financing sources over (under) expenditures and other financing uses	27,639	27,639		
Fund balance, beginning of year - restated	1,101,762	1,101,762		
Fund balance, end of year	\$ 1,129,401	\$ 1,129,401		

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

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 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, 2017 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, 2017, the Town was advised by the State of Maryland that \$19,253 of the Local Tax Reserve Fund was allocable to the Town. The Town recorded receivable and deferred inflows of resources in the amount of \$19,253 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.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 the balance of deferred inflows of resources in the governmental fund financial statements consisted of income taxes of \$19,253. The balance of deferred outflows of resources in the government-wide statements consists of \$43,106 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.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, the liability for compensated absences is \$49,550. 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.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

There were prior period accounting errors pertaining to accounts payable, resulting in an understatement of previously reported equity. As a result, the Town has restated beginning Net Position by \$36,965 from \$2,246,570 to \$2,283,535 and beginning Fund Balance in the general fund by \$36,965 from \$1,064,797 to \$1,101,762. Our opinion is not modified with respect to this matter.

**TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 2017. 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 \$670,340 and the bank balances totaled \$735,086. Of the bank balances, \$415,039 was not insured by Federal Depository Insurance Corporation (FDIC).

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, \$414,460 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.

**TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – DEPOSITS AND INVESTMENTS – continued

As of June 30, 2017, the Town had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings</u>
MLGIP	\$ 414,460	\$ 414,460	AAAm
Total Investments	<u>\$ 414,460</u>	<u>\$ 414,460</u>	

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 2017 were \$0.6379 and \$1.50 per \$100 of assessed value, respectively.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	\$ 102,003	\$ -	\$ -	\$ 102,003
Construction in progress	-	-	-	-
Subtotal	<u>102,003</u>	<u>-</u>	<u>-</u>	<u>102,003</u>
Depreciable capital assets:				
Buildings	232,590	-	-	232,590
Furniture & equipment	375,491	61,533	-	437,024
Vehicles	586,342	43,317	-	629,659
Land improvements	7,411	-	-	7,411
Infrastructure	2,042,264	-	-	2,042,264
Subtotal	<u>3,244,098</u>	<u>104,850</u>	<u>-</u>	<u>3,348,948</u>
Total capital assets	<u>3,346,101</u>	<u>104,850</u>	<u>-</u>	<u>3,450,951</u>
Accumulated depreciation:				
Buildings	126,460	5,018	-	131,478
Furniture & equipment	327,350	21,650	-	349,000
Vehicles	452,253	38,161	-	490,414
Land improvements	4,905	494	-	5,399
Infrastructure	800,521	106,518	-	907,039
Subtotal, accumulated depreciation	<u>1,711,489</u>	<u>171,841</u>	<u>-</u>	<u>1,883,330</u>
Net capital assets	<u>\$ 1,634,612</u>	<u>\$ (66,991)</u>	<u>\$ -</u>	<u>\$ 1,567,621</u>

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 11,855
Public safety	37,342
Public works	<u>122,644</u>
Total government activities depreciation expense	<u>\$ 171,841</u>

The Town has no material construction commitments as of June 30, 2017.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 \$110,699 and consist of: \$8,434 for income taxes, \$70,175 for other accounts receivables, \$675 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 \$298,625 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 \$144,908 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, 2017, the Town's employees contributed \$7,166 and the Town made its matching contribution of \$4,189. 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, 2017 is not reflected in the Town's financial statements.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 \$156,568 as of the measurement date of June 30, 2016.

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 2017 contribution of \$12,128 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.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 \$77,000,000 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

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 the Town contributed \$12,128. The Town contributed 100% of its required contribution for the year ended June 30, 2017. 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, 2017 are based on salaries for the year ending June 30, 2016. 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		
	2017	2016	2015
Retirement plan contributions	<u>\$ 12,128</u>	<u>\$ 13,387</u>	<u>\$ 17,412</u>

The Town contributed \$12,128 to the System for fiscal year 2017 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.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 – RETIREMENT PLAN – continued

Required disclosures aggregate for the plan:

	<u>Maryland State Pension System</u>
Total pension liability	\$ 68,959,954,000
Total fiduciary net position	45,365,927,000
Town's proportionate share of total pension liabilities	156,568
Town's proportionate share of net pension liabilities	0.0006636%
Total pension assets	45,365,927,000
Measurement date of collective net pension liability	June 30, 2016
Date of actuarial valuation	June 30, 2016
Deferred outflows related to pensions	43,106
Deferred inflows related to pensions	10,405
Pension expense/expenditures for the period	17,974

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)	2.70% general, 3.20% wage
Salary Increases	3.30% to 9.2%, 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-2014 Mortality Table

- (a) Discount rate at prior measurement date was 7.55%.
- (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 2016 valuation:
 - a. Investment return assumption remained the same at 7.55%.
 - b. Inflation assumption remained the same at 2.70%.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 – RETIREMENT PLAN – continued

The components of the net pension liability for the System as of June 30, 2016, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total Pension Liability	\$68,959,954,000
Plan Fiduciary Net Position	<u>45,365,927,000</u>
Net Pension Liability	<u>\$23,594,027,000</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>65.79%</u>

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, 2016.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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	\$ 32,408,443,000	\$ 23,594,027,000	\$ 16,259,113,000
The Town's Proportionate Share of Net Pension Liability	\$ 215,060	\$ 156,568	\$ 107,894

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, the Town reported a liability of \$156,568 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Town’s proportion was approximately 0.0006636 percent.

For the year ended June 30, 2017, the Town recognized pension expense of \$17,974. At June 30, 2017, 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	\$ 6,337	\$ -
Net difference between projected and actual earnings on pension plan investments	24,641	10,405
Contributions subsequent to the measurement date	12,128	-
Total	\$43,106	\$10,405

The deferred outflows of resources of \$12,128 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources are being amortized over a five-year period beginning in fiscal 2017. These unamortized amounts will be ratably recognized in pension expense over the next four years.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2016 were as follows:

Total pension liability	\$	457,613
Plan Fiduciary Net Position		301,045
Net Pension Liability		\$ 156,568
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		65.79%

NOTE 9 – LONG-TERM OBLIGATIONS

November 2016, the Town leased a 2017 Ford Police Interceptor Vehicle. Sixteen quarterly payments of \$3,017, including principal and interest, are due beginning November 10, 2016 and concluding on August 10, 2020. The vehicle was capitalized for \$43,317. The remaining principal balance at June 30, 2017 is \$11,077.

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, 2017 is \$37,882.

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, 2017 is \$16,553.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 is \$43.

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, 2017 is \$467,816.

	July,1 2016	Additions	Retirements	June 30, 2017	Amount Due Within 1 Year
G.O. Bonds	\$ 502,907	\$ -	\$ 35,091	\$ 467,816	\$ 35,668
Copier Lease 14	3,197	-	3,154	43	3,154
SUV Lease 15	21,334	-	10,257	11,077	10,257
SUV Lease 16	26,296	-	9,743	16,553	9,743
SUV Lease 17	-	43,317	5,435	37,882	-
	<u>\$ 553,734</u>	<u>\$ 43,317</u>	<u>\$ 63,680</u>	<u>\$ 533,371</u>	<u>\$ 58,822</u>

	July,1 2016	Additions	Reductions	June 30, 2017
Compensated Absences	\$ 4,283	\$ 45,267	\$ -	\$ 49,550
	<u>\$ 4,283</u>	<u>\$ 45,267</u>	<u>\$ -</u>	<u>\$ 49,550</u>

Debt service requirements pertaining to leases are as follows:

Year(s) Ending	Principal	Interest	Total
<u>June 30</u>			
2018	\$ 21,246	\$ 1,587	\$ 22,833
2019	11,956	524	12,480
Total	<u>\$ 33,202</u>	<u>\$ 2,111</u>	<u>\$ 35,313</u>

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 – LONG-TERM OBLIGATIONS – continued

Debt service requirements pertaining to bonds are as follows:

Year(s) Ending June 30	Principal	Interest	Total
2018	\$ 35,668	\$ 11,501	\$ 47,169
2019	36,565	10,604	47,169
2020	37,485	9,684	47,169
2021	38,428	8,741	47,169
2022	39,395	7,774	47,169
2023-2027	212,347	23,498	235,845
2028-2029	67,928	1,734	69,662
Total	<u>\$ 467,816</u>	<u>\$ 73,536</u>	<u>\$ 541,352</u>

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 2017, 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.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 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.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 – FUND BALANCE REPORTING

Fund balances for the Town's governmental funds consisted of the following as of June 30, 2017:

Restricted Fund Balances

At year-end, the balance of the general obligation bond money was restricted for infrastructure projects. At June 30, 2017, this amount was \$5,001.

Unassigned Fund Balances

All remaining fund balances are unassigned. At June 30, 2017, this amount was \$1,124,400.

TOWN OF EDMONSTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

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. 81, *Irrevocable Split-Interest Agreements*, issued March 2016, effective for financial statements for fiscal years beginning after December 15, 2016.

Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016, effective for financial statements for fiscal years beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, issued January 2017, effective for financial statements for fiscal years beginning after December 15, 2018.

Statement No. 85, *Omnibus 2017*, issued March 2017, effective for financial statements for fiscal years beginning after June 15, 2017.

Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017, effective for financial statements for fiscal years beginning after June 15, 2017.

Statement No. 87, *Leases*, issued June 2017, effective for financial statements for fiscal years beginning after December 15, 2019.

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, 2017**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	\$ 1,194,946	\$ 1,216,965	\$ 1,245,538	\$ 28,573
Licenses and permits	53,700	54,579	63,103	8,524
Intergovernmental	106,411	135,514	128,976	(6,538)
Miscellaneous	356,292	321,448	231,019	(90,429)
Total Revenues	\$ 1,711,349	\$ 1,728,506	\$ 1,668,636	\$ (59,870)
Expenditures				
General government	\$ 415,894	\$ 365,442	\$ 411,778	\$ (46,336)
Public safety	843,474	765,305	777,188	(11,883)
Public works	351,981	410,896	416,206	(5,310)
Debt service	100,000	86,863	79,142	7,721
Total Expenditures	\$ 1,711,349	\$ 1,728,506	\$ 1,684,314	\$ 44,192

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

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

	FY 2015	FY 2016	FY 2017
Town's proportion (%) of collective net pension liability	0.000747%	0.0008261%	0.0006636%
Town's proportionate share (\$) of collective net pension liability	\$ 132,597	\$ 171,675	\$ 156,568
Town's covered payroll(\$)	\$ 492,779	\$ 513,485	\$ 575,523
Town's proportionate share of collective net pension liability as a percentage of its covered-employee payroll	26.91%	33.43%	27.20%
Pension plan's fiduciary net position as a percentage of the total pension liability	71.87%	68.78%	65.79%

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 12,128	\$ 13,387	\$ 17,412	Information for years 2014 and prior is not available.						
Contributions in relation to the contractually required contribution	12,128	13,387	17,412							
Contribution deficiency (excess)	-	-	-							
Town's covered-employee payroll	575,523	575,523	492,779							
Contributions as a percentage of covered-employee payroll	2.1%	2.3%	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, 2017

	<u>Budget</u>	<u>Actual</u>	Variable Favorable (Unfavorable)
REVENUES			
Taxes			
Real estate	\$ 916,378	\$ 916,486	\$ 108
Personal property	175,168	171,133	(4,035)
Local income taxes	115,419	148,089	32,670
Admissions and amusement	10,000	9,830	(170)
Total Taxes	<u>1,216,965</u>	<u>1,245,538</u>	<u>28,573</u>
Licenses and Permits			
Traders	35,500	38,592	3,092
Buildings and equipment	4,424	5,530	1,106
State business licenses	155	2,142	1,987
Cable TV franchise fee	14,500	16,839	2,339
Total Licenses and Permits	<u>54,579</u>	<u>63,103</u>	<u>8,524</u>
Intergovernmental			
Highway user revenue	12,790	13,045	255
Police protection grant	-	-	-
Police grant	33,953	25,466	(8,487)
Other grants	62,771	63,590	819
Disposal fee rebate	3,500	4,375	875
Miscellaneous grants	22,500	22,500	-
Total Intergovernmental	<u>135,514</u>	<u>128,976</u>	<u>(6,538)</u>
Miscellaneous			
Interest income	1,879	2,974	1,095
Cable TV equipment grant	9,400	8,399	(1,001)
Fines and forfeitures	112,944	110,026	(2,918)
Vehicle releases	10,921	11,063	142
Apartment/rental inspections	25,304	50,358	25,054
Other	37,945	40,144	2,199
Asset liquidation	8,055	8,055	-
Rec. center rental	15,000	-	(15,000)
Carryover previous year	100,000	-	(100,000)
Total Miscellaneous	<u>321,448</u>	<u>231,019</u>	<u>(90,429)</u>
TOTAL REVENUES	<u>\$ 1,728,506</u>	<u>\$ 1,668,636</u>	<u>\$ (59,870)</u>

TOWN OF EDMONSTON, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
EXPENDITURES			
General Government			
Accounting and auditing	\$ 8,000	\$ 7,585	\$ 415
Salaries	124,888	124,888	-
Supplies and equipment	6,374	6,374	-
Advertising	1,200	1,181	19
Bank charges	837	837	-
Capital expenditures	17,314	12,878	4,436
Community events	43,457	27,045	16,412
Consultants	-	-	-
Contract services	49,314	49,314	-
Contributions	9,500	25,912	(16,412)
Dues, training and conventions	24,527	24,226	301
Elections	920	920	-
Employee events	4,369	4,369	-
Fuel	636	636	-
Grant expenditures	-	51,742	(51,742)
Insurance and bonds	8,901	8,902	(1)
Legal counsel	7,525	7,525	-
Medical/life insurance	5,400	5,381	19
Miscellaneous	11,018	11,021	(3)
Payroll taxes	9,657	9,657	-
Postage	1,500	1,495	5
Printing	12,000	11,867	133
Repairs and maintenance	500	445	55
State retirement	2,547	2,547	-
Telephone	8,200	8,173	27
Uniforms	621	621	-
Utilities	4,958	4,958	-
Vehicle maintenance	1,279	1,279	-
Total General Government	<u>\$ 365,442</u>	<u>\$ 411,778</u>	<u>\$ (46,336)</u>

TOWN OF EDMONSTON, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variable Favorable (Unfavorable)
Public Safety			
Accounting and auditing	\$ 6,005	\$ 6,003	\$ 2
Vehicle maintenance	9,000	9,719	(719)
Capital expenditures	-	-	-
Community events	5,461	5,461	-
Fuel	35,262	14,502	20,760
Medical/life insurance	80,417	80,863	(446)
Legal	7,000	6,524	476
Dues, training and conventions	5,998	5,998	-
Miscellaneous	4,453	4,453	-
Payroll taxes	35,433	33,690	1,743
Postage	1,810	1,811	(1)
Printing	1,500	1,845	(345)
Insurance and bonds	18,300	17,189	1,111
Contract service	15,000	12,747	2,253
Repairs and maintenance	1,000	984	16
Retirement	12,315	12,315	-
Salaries	440,000	441,535	(1,535)
Supplies and equipment	8,592	8,591	1
Telephone	11,500	11,478	22
Vehicle purchase	8,334	43,317	(34,983)
Uniforms	7,000	7,043	(43)
Utilities	4,600	4,795	(195)
Workers compensation	46,325	46,325	-
Total Public Safety	<u>\$ 765,305</u>	<u>\$ 777,188</u>	<u>\$ (11,883)</u>

TOWN OF EDMONSTON, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
Public Works			
Insurance and Bonds	\$ 1,831	\$ 1,831	\$ -
Capital expenditures	48,655	48,655	-
Consultants	13,138	13,138	-
Contract service	26,298	26,299	(1)
Fuel	3,470	3,470	-
Beautification	37,443	37,443	-
Engineering	-	-	-
Medical/life insurance	17,003	17,172	(169)
Dump Fees	500	5,048	(4,548)
Miscellaneous	598	598	-
Mosquito control	305	305	-
Payroll taxes	7,276	7,198	78
Repairs and maintenance	23,347	25,722	(2,375)
State retirement	1,455	1,455	-
Salaries	95,107	94,047	1,060
Dues, training and conventions	1,915	1,916	(1)
Snow and ice removal	750	750	-
Street lighting	30,000	29,355	645
Supplies and equipment	7,158	7,159	(1)
Telephone	1,200	1,200	-
Trash/recycling contract	74,604	74,604	-
Tree maintenance	1,150	1,150	-
Uniforms	150	139	11
Vehicle maintenance	10,890	10,900	(10)
Workers compensation	6,653	6,652	1
Total Public Works	<u>410,896</u>	<u>416,206</u>	<u>(5,310)</u>
Total Expenditures before Debt Service and Transfer to Reserves	<u>1,541,643</u>	<u>1,605,172</u>	<u>(63,529)</u>
Debt Service	<u>86,863</u>	<u>79,142</u>	<u>7,721</u>
Transfer to Reserves	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Expenditures	<u><u>\$ 1,728,506</u></u>	<u><u>\$ 1,684,314</u></u>	<u><u>\$ 44,192</u></u>

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October 23, 2017

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

We audited the financial statements of the governmental activities and each major fund of the Town of Edmonston, Maryland (the “Town”) for the year ended June 30, 2017, and have issued our report thereon dated October 23, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U. S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 22, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Town. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the Town’s compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our test was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017 except as may be explained in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed adjustments to receivables, payables, personal property tax revenue, capital items, and fines and flagging revenue. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representation from management that is included in the management representation letter dated October 23, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationships and our responses were not a condition to our retention.

We have also provided the Town’s management with a letter dated October 23, 2017, pertaining to our audit findings and recommendations.

This information is intended solely for the use of the Mayor, Members of Town Council and the Town Manager and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Lindsey + Associates

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October 23, 2017

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

In planning and performing our audit of the financial statements of the Town of Edmonston, Maryland (the “Town”) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Town’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 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. We consider the following deficiencies in the Town’s internal control to be material weaknesses:

Preparation of Financial Statements

In the current year as well as the prior year we noted no Town employee or officer has the technical background to prepare the financial statements, including the related notes to the financial statements, in accordance with generally accepted accounting principles.

As part of the audit, the Town's management has requested us to prepare a draft of the Town's financial statements, including related notes to the financial statements. The Town Manager performed a review of the financial statements. However, in order to provide improved oversight of the financial statement preparation services at an appropriate level and implement controls over the financial reporting process, we recommend the Town obtain and use one or both of the following publications in subsequent years when reviewing the financial statements: *Governmental Accounting, Auditing, and Financial Reporting Using the GASB 34 Model* available from the Government Finance Officers Association at www.gfoa.org or *Preparing Governmental Financial Statements Under GASBS No. 34* available from Thomson Tax & Accounting at www.ppc.thomson.com.

This communication is intended solely for the information and use of the Mayor, Town Council, Town Manager and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,