

SECONDARY MARKET DISCLOSURE

Community Development Administration Maryland Department of Housing and Community Development Local Government Infrastructure Finance Program

The following financial information is being provided by the Community Development Administration (“the Administration”), a unit in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland (“the Department”).

Questions concerning this release should be directed to Investor Relations at (301) 429-7898, or cdabonds_mailbox.dhcd@maryland.gov.

The Administration

Annual Information. The Administration has agreed, in accordance with the provisions of Rule 15c2-12 (the “Rule”), adopted by the Securities and Exchange Commission (the “Commission”) under the Securities and Exchange Act of 1934, as amended, to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (the “MSRB”) (formerly to each nationally recognized municipal securities information repository and to the appropriate state information depository, if any) in an electronic format as prescribed by the MSRB, when and if available, but in any event within nine months after the end of each fiscal year of the Administration, the following annual financial information and operating data (the “Annual Information”):

1. a copy of the annual financial statements of the Administration’s Local Government Infrastructure Bonds (MBIA Insured) prepared in accordance with generally accepted accounting principles and audited by a certified public accountant;
2. a copy of the annual financial statement of each Local Government having, as of the end of such fiscal year, an aggregate outstanding unpaid principal balance of Infrastructure Loans under the Program equal to or greater than 10% of the outstanding principal amount of all Infrastructure Loans financed under the Program (and, if such Infrastructure Loans are guaranteed by a County or Municipality, the annual financial statement of the County or Municipality), prepared and audited in accordance with law (which currently requires that such statements be prepared in accordance with generally accepted accounting principles and audited by a certified public accountant); and
3. an update of the financial information in this Official Statement contained in Appendix C - “LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS” for each Local Government meeting the criteria described in paragraph 2 immediately above.

The Administration may, at its option, satisfy the foregoing obligations by either: (i) providing an official statement for one or more Series of Bonds or by specific reference, in accordance with the Rule, to one or more official statements provided previously, or (ii) to the extent permitted by the Rule, by filing (or requiring Local Governments to file) and incorporating by reference the annual audited financial statements of, or the Uniform Financial Report (Forms F-65(MD-2) or F-65(MD-2A) or any substitute or successor reports) prepared and filed with the Maryland State Department of Legislative Services by, in either case, each County or Municipality receiving an Infrastructure Loan (or

guaranteeing an Infrastructure Loan to one of its agencies or instrumentalities) made from the proceeds of the Series B Bonds that meets the requirements of paragraph 2 above, for so long as the Infrastructure Loan is outstanding. The Administration may, at its option, but is not obligated to, provide information about other Local Governments receiving an Infrastructure Loan or guaranteeing an Infrastructure Loan to one of its agencies or instrumentalities. See Appendix C - "LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS - Financial Information of Local Governments" for a description of the Uniform Financial Report.

The Administration is under no obligation to provide any financial information with respect to MBIA; owners of the Bonds must obtain this information from MBIA or other sources. See the heading "BOND INSURANCE - The Insurer" in this Official Statement for the current address from which information about MBIA may be obtained.

NOTE 1: The Town of Pittsville's financial information was not included with this annual filing due on or before March 31st, 2018 for the following reason: on July 14th, 2017, Pittsville wired funds to the Administration's trustee (M&T Bank) sufficient to pay-off the Town's remaining 1998 Series B loan obligation. Upon receipt of the pay-off, a Notice of Redemption was issued on July 14th, 2017, and a corresponding number of bonds were redeemed on August 14th, 2017, and the Administration ceased to be an Obligated Party with respect to the redeemed bonds.

NOTE 2: As of the date of this filing, the Administration has not yet received FY-2017 Uniform Financial Report ("UFR") excerpts or FY-2017 audited financial statements from the Town of Indian Head ("the Town"). Administration staff will continue to monitor and encourage the Town to provide information, and will file updates in a timely manner once the required materials are complete and published.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE FINANCING BONDS
(MBIA INSURED)**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE FINANCING BONDS
(MBIA INSURED)
YEARS ENDED JUNE 30, 2017 AND 2016**

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	3
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6

INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development
Lanham, Maryland

We have audited the accompanying financial statements of the Community Development Administration Infrastructure Financing Bonds (MBIA Insured) (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2017 and 2016, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2017 and 2016, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Financial Statement Presentation

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2017 and 2016, and the changes in its net position and its cash flows, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2017

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE FINANCING BONDS (MBIA INSURED)
STATEMENTS OF NET POSITION
(in thousands)
JUNE 30, 2017 AND 2016**

	2017	2016
RESTRICTED ASSETS		
RESTRICTED CURRENT ASSETS		
Cash and Cash Equivalents on Deposit	\$ 710	\$ 730
Community Facilities Loans	287	478
Accrued Interest Receivable	4	10
Total Restricted Current Assets	1,001	1,218
RESTRICTED LONG-TERM ASSETS		
Community Facilities Loans, Net of Current Portion	97	654
Total Restricted Long-Term Assets	97	654
Total Restricted Assets	\$ 1,098	\$ 1,872
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accrued Interest Payable	\$ 2	\$ 5
Bonds Payable	250	490
Total Current Liabilities	252	495
LONG-TERM LIABILITIES		
Bonds Payable, Net of Current Portion	135	655
Advance Trustee Fees	147	191
Total Long-Term Liabilities	282	846
Total Liabilities	534	1,341
NET POSITION		
Restricted	564	531
Total Liabilities and Net Position	\$ 1,098	\$ 1,872

See accompanying Notes to Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
 INFRASTRUCTURE FINANCING BONDS (MBIA INSURED)
 STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
 (in thousands)
 YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
OPERATING REVENUE		
Interest on Community Facilities Loans	\$ 41	\$ 68
Interest on Cash and Cash Equivalents	3	1
Other Operating Revenue	32	-
Total Operating Revenue	76	69
OPERATING EXPENSES		
Interest Expense on Bonds	43	72
Operating Income (Loss)	33	(3)
CHANGE IN NET POSITION	33	(3)
NET POSITION - RESTRICTED AT BEGINNING OF YEAR	531	534
NET POSITION - RESTRICTED AT END OF YEAR	\$ 564	\$ 531

See accompanying Notes to Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE FINANCING BONDS (MBIA INSURED)
STATEMENTS OF CASH FLOWS
(in thousands)
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Principal and Interest Received on Community Facilities Loans	\$ 795	\$ 364
Advance Trustee Fees Received	8	3
Trustee Fees Paid	(20)	(20)
Net Cash Provided by Operating Activities	783	347
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Cash Equivalents	3	1
Net Cash Provided by Investing Activities	3	1
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments on Bond Principal	(760)	(295)
Interest on Bonds	(46)	(73)
Net Cash Used in Noncapital Financing Activities	(806)	(368)
NET DECREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	(20)	(20)
CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR	730	750
CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR	\$ 710	\$ 730
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 33	\$ (3)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Interest Received on Cash Equivalents	(3)	(1)
Interest on Bonds	46	73
Decrease in Assets:		
Community Facilities Loans	748	290
Accrued Interest Receivable	6	6
Decrease in Liabilities:		
Accrued Interest Payable	(3)	(1)
Advance Trustee Fees	(44)	(17)
Net Cash Provided by Operating Activities	\$ 783	\$ 347

See accompanying Notes to Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE FINANCING BONDS (MBIA INSURED)
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2017 AND 2016**

NOTE 1 AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) is authorized to issue Infrastructure Financing Bonds (MBIA Insured) pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland to provide a mechanism for financing the infrastructure needs of local governments. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying financial statements only include CDA's Infrastructure Financing Bonds (MBIA Insured) (the Fund). CDA's other Funds are not included.

The Fund was established to issue bonds to provide funds for construction and permanent financing to local governments for public facilities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is accounted for as an enterprise fund. Accordingly, the accompanying financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (GAAP).

Basis of Accounting and Measurement Focus

The basis of accounting for the Fund is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of the Fund are included on the Statements of Net Position. The Fund is required to follow all statements of the Governmental Accounting Standards Board (GASB).

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by GASB. Consequently, CDA applies all applicable GASB pronouncements.

In accordance with accounting guidance issued by GASB, net position should be reported as restricted when constraints placed on net position use is either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation. Accordingly, the net position of the Fund is restricted as to its use as the net position is pledged to bondholders.

Since CDA is an enterprise fund included in the State of Maryland's Comprehensive Annual Financial Report, a separate Management's Discussion and Analysis is not included in these financial statements. CDA prepares a Management's Discussion and Analysis for the General Accounting Division of the State of Maryland that is not part of these financial statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE FINANCING BONDS (MBIA INSURED)
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents on Deposit

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2017 and 2016, all of the Fund's cash equivalents were invested in a money market mutual fund which is more fully described in Note 3.

Community Facilities Loans

Community facilities loans are carried at their unpaid principal balances. See Note 4 for additional information on community facilities loans.

Allowance for Loan Losses

Community facilities loans are secured by the full faith and credit of the applicable local government. Therefore, CDA has determined that no allowance for loan losses was necessary as of June 30, 2017 and 2016.

Accrued Interest Receivable

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2017 and 2016, all loans were current. Therefore, all accrued interest on loans was recorded during the year.

Bonds Payable

Bonds payable are carried at their unpaid principal balances. There are no premiums or discounts to amortize. See Notes 5, 6, 7 and 8 for additional information.

Administrative Support

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund and are reported in the financial statements of CDA's Revenue Obligation Funds. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

The employees of CDA are covered by the Maryland State Retirement and Pension System. See Note 9 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from non-operating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing public facilities for local governments. All of the Fund's activities are considered to be operating.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE FINANCING BONDS (MBIA INSURED)
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains and losses during the reporting period. Actual results could differ from these estimates.

NOTE 3 CASH AND CASH EQUIVALENTS ON DEPOSIT

Proceeds from bonds and revenues from loans are invested in authorized investments as defined in the Infrastructure Financing Bonds (MBIA Insured) Resolution (the Resolution) and in CDA's Investment Policy until required for financing projects, redeeming outstanding bonds and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, investment agreements, money market funds and any other investment as defined by the Resolution.

As of June 30, 2017, the Fund had \$710 invested in a money market mutual fund (BlackRock Liquidity FedFund Administration Shares). As of June 30, 2016, the Fund had \$730 invested in a money market mutual fund (Federated Prime Cash Obligations Fund). Both are classified as cash and cash equivalents. The following represents the GASB evaluation of these assets for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, CDA's Investment Policy requires that the maturities of the investment portfolio are scheduled to meet the cash requirements for bond debt service, projected loan originations and ongoing operations.

The BlackRock Liquidity FedFund Administration Shares invests primarily in cash, U.S. Treasury bills, notes and other obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities, and repurchase agreements secured by such obligations or cash. The Federated Prime Cash Obligations Fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. Both operate in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. Both can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2017 and 2016, the cost of the money market mutual fund approximated fair value.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE FINANCING BONDS (MBIA INSURED)
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2017 AND 2016**

NOTE 3 CASH AND CASH EQUIVALENTS ON DEPOSIT (CONTINUED)

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the Resolution requires investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Resolution, securities must be rated at the highest investment grade by any national rating agency. U.S. dollar denominated accounts and bankers' acceptances which have a rating on their short-term certificates of deposit must be in the two highest ratings by any nationally recognized rating agency. Accounting guidance issued by GASB requires disclosure by amount and investment issuer if investments in any one issuer represent 5 percent or more of total investments. Investments in mutual funds are excluded from this requirement.

As of June 30, 2017, the BlackRock Liquidity FedFund Administration Shares was rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service. As of June 30, 2016, the Federated Prime Cash Obligations Fund was rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2017 and 2016, the Fund's investments were not subject to custodial credit risk under accounting guidance issued by GASB. The money market mutual fund is held in trust by the trustee, kept separate from the assets of the bank and from other trust accounts and is held in CDA's name.

Fair Value Measurements

CDA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017 and 2016, all investments were in a money market mutual fund which is not subject to the fair value measurement requirements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE FINANCING BONDS (MBIA INSURED)
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2017 AND 2016**

NOTE 4 COMMUNITY FACILITIES LOANS

Community facilities loans are secured by the full faith and credit of the applicable local government. As such, no allowance for loan losses was necessary as of June 30, 2017 and 2016. As of June 30, 2017 and 2016, interest rates on such loans range from 4.61% to 5.01% and 4.61% to 5.62%, respectively. Remaining loan terms range from less than 1 year to 6 years and less than 1 year to 11 years, respectively.

NOTE 5 BONDS PAYABLE

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the Resolution. These bonds do not constitute debt of and are not guaranteed by the State of Maryland or any other program of the State of Maryland or any political subdivision.

The provisions of the Resolution require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of community facilities loans. All outstanding bonds are subject to redemption at the option of CDA, in whole or in part at any time, after certain dates, as specified in the respective series resolutions, at a redemption price equal to the principal amount thereof to be redeemed. All bonds have fixed interest rates and all bonds are tax-exempt.

The following is a summary of the bond activity for the year ended June 30, 2017 and bonds payable as of June 30, 2017:

Bond	Issue Date	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2016	Bond Activity		Bonds Payable at June 30, 2017
					Scheduled Maturity Payments	Bonds Redeemed	
Infrastructure Financing Bonds (MBIA Insured)							
1997 Series A	04/15/97	5.625% - 5.75%	2021 - 2027	\$ 230	\$ (45)	\$ (185)	\$ -
1998 Series B	06/01/98	5.125% - 5.20%	2017 - 2028	325	(100)	-	225
1998 Series C	06/01/98	5.15%	12/1/2020	105	(20)	(85)	-
1999 Series A	03/01/99	4.80% - 5.00%	2017 - 2019	420	(50)	(265)	105
2001 Series A	03/01/01	4.875% - 5.00%	2017 - 2021	65	(10)	-	55
Total				<u>\$ 1,145</u>	<u>\$ (225)</u>	<u>\$ (535)</u>	<u>\$ 385</u>

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE FINANCING BONDS (MBIA INSURED)
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2017 AND 2016**

NOTE 5 BONDS PAYABLE (CONTINUED)

The following is a summary of the bond activity for the year ended June 30, 2016 and bonds payable as of June 30, 2016:

Bond	Issue Date	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2015	Bond Activity		Bonds Payable at June 30, 2016
					Scheduled Maturity Payments	Bonds Redeemed	
Infrastructure Financing Bonds (MBIA Insured)							
1997 Series A	04/15/97	5.625% - 5.75%	2021 - 2027	\$ 275	\$ (45)	\$ -	\$ 230
1998 Series B	06/01/98	5.125% - 5.20%	2017 - 2028	410	(85)	-	325
1998 Series C	06/01/98	5.15%	12/1/2020	125	(20)	-	105
1999 Series A	03/01/99	4.80% - 5.00%	2016 - 2019	545	(125)	-	420
2001 Series A	03/01/01	4.75% - 5.00%	2016 -2021	85	(20)	-	65
Total				\$ 1,440	\$ (295)	\$ -	\$ 1,145

NOTE 6 DEBT SERVICE REQUIREMENTS

As of June 30, 2017, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2017) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

Year Ended June 30,	Interest	Principal
2018	\$ 13	\$ 250
2019	7	80
2020	3	25
2021	2	25
2022	-	5
Total	\$ 25	\$ 385

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE FINANCING BONDS (MBIA INSURED)
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2017 AND 2016**

NOTE 6 DEBT SERVICE REQUIREMENTS (CONTINUED)

As of June 30, 2016, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2016) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

<u>Year Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>
2017	\$ 48	\$ 490
2018	34	195
2019	24	125
2020	17	80
2021	13	80
2022 - 2026	28	150
2027 - 2031	1	25
Total	<u>\$ 165</u>	<u>\$ 1,145</u>

NOTE 7 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Bonds Payable:		
Beginning Balance at June 30,	\$ 1,145	\$ 1,440
Additions	-	-
Reductions	<u>(760)</u>	<u>(295)</u>
Ending Balance at June 30,	385	1,145
Less Due Within One Year	<u>(250)</u>	<u>(490)</u>
Total Long-Term Bonds Payable	<u>135</u>	<u>655</u>
Other Liabilities - Advance Trustee Fees:		
Beginning Balance at June 30,	191	208
Additions	8	3
Reductions	<u>(52)</u>	<u>(20)</u>
Ending Balance at June 30,	<u>147</u>	<u>191</u>
Total Long-Term Other Liabilities - Advance Trustee Fees	<u>147</u>	<u>191</u>
Total Long-Term Liabilities	<u>\$ 282</u>	<u>\$ 846</u>

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE FINANCING BONDS (MBIA INSURED)
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2017 AND 2016**

NOTE 8 BOND INSURANCE

All outstanding bonds of the Fund are insured by MBIA Insurance Corporation. The provisions of the policy require the insurer to pay that portion of the principal and interest on the bonds which become due for payment but are not paid by CDA. The insurance generally extends for the term of the bonds and cannot be canceled by the insurer. See Note 5 for list of outstanding bonds.

NOTE 9 PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year end. The liability for the employees is recorded by the general fund of the State of Maryland and is not allocated to CDA. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, or by visiting the website at www.sra.state.md.us.

NOTE 10 SUBSEQUENT EVENTS

CDA has identified the following activity that occurred subsequent to June 30, 2017.

Subsequent to the year ended June 30, 2017, CDA redeemed \$150 of 1998 Series B bonds on August 14, 2017.

ATTACHMENT C

LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS

The Bonds issued under the Bond Resolution (the “Bonds”), together with any additional bonds issued under the Bond Resolution in the future, rank on a parity and are equally and ratably secured under the Bond Resolution, except for Subordinated Bonds which will not be on a parity, equally and ratably secured under the Bond Resolution. Under the Bond Resolution, all bonds issued and outstanding thereunder are payable from payments made on Local Obligations by Local Governments. All Local Obligations (regardless of when they were entered into or from what series of Bonds the Infrastructure Loan was made), and the payments made thereon are pledged to pay debt service on all of the Bonds and any additional bonds issued under the Bond Resolution in the future. Therefore, full and timely payment by each Local Government is required to provide sufficient Revenues with which to make payments on the Bonds as well as any additional bonds issued and outstanding under the Bond Resolution.

The following chart contains an update, as of June 30, 2017, of information concerning the Local Governments that have received Infrastructure Loans from the proceeds of the Bonds. This information was originally set forth in Appendix C to the Official Statement for the 1996 Series A Bonds dated May 1, 1996, Appendix C to the Official Statement for the 1997 Series A Bonds dated April 24, 1997, Appendix C to the Official Statement for the 1998 Series A Bonds dated March 3, 1998, Appendix C to the Official Statement for the 1998 Series B and 1998 Series C Bonds dated June 18, 1998, Appendix C to the Official Statement for the 1999 Series A Bonds dated March 1, 1999, Appendix C to the Official Statement for the 2000 Series A Bonds dated March 1, 2000, and Appendix C to the Official Statement for the 2001 Series A and 2001 Series B Bonds dated March 1, 2001 (the “Official Statements”).

MBIA Indenture (1996-2001)						
Infrastructure Loans Financed with the Proceeds of the Bonds						
(Outstanding Loans as of June 30, 2017)						
Local Government	Location by County	Series of Bonds	Prior Bonds³	Outstanding Amount of Loan (\$)	Remaining Loan Term (in years)	Purpose
Emmitsburg	Frederick	1998B	1988A	\$ 72,000.00	<1	Street & wastewater treatment improvements
Emmitsburg	Frederick	2001A		\$ 55,100.00	4	Renovate facility for town offices
Greensboro	Caroline	1999A		\$ 21,500.00	2	Water system improvements
Indian Head	Charles	1999A		\$ 85,600.00	2	Refinance bank loan
Pittsville ²	Wicomico	1998B		\$ 150,000.00	6	Refinance FmHA ¹ water system loan
			Total:	\$ 384,200.00		

Footnotes:

¹ Farmers Home Administration, U.S. Department of Agriculture

² Pittsville paid off its remaining loan balance on 7/14/17 and CDA redeemed the corresponding bonds on 8/14/17.

³ Indicates the series of bonds which originally financed the loan. Each series of bonds shown in this column was defeased with funds from the proceeds 1998B Bonds.

Financial Information of Local Governments

Each County, Municipality, and special district in the State is required (i) to maintain the uniform system of financial reporting provided by the State's Department of Legislative Services; (ii) pursuant to Article 19, §40 of the Annotated Code of Maryland, to have its books, accounts, records and reports examined at least once each fiscal year by a certified public accountant and to file a copy of the audit report with the Legislative Auditor, and (iii) pursuant to Article 19 §37 of the Annotated Code of Maryland, to file with the State Department of Legislative Services not later than November 1 of each year the Uniform Financial Report (Forms F-65(MD-2) or F-65(MD-2A)) for the fiscal year ending on the immediately preceding June 30. The State Department of Legislative Services extracts information from the Uniform Financial Reports and publishes such information annually in a report to the Governor and General Assembly of Maryland.

The Uniform Financial Reports and the annual report of the Department of Legislative Services are available for public inspection in the offices of the Department of Legislative Services, 90 State Circle, Annapolis, Maryland. Copies of the Uniform Financial Reports or the annual report of the Department of Legislative Services may be obtained by writing to the State Department of Legislative Services, 90 State Circle, Room 226, Annapolis, Maryland 21401, or by calling (410) 946-5030.

The following information on each Local Government which will receive an Infrastructure Loan from the proceeds of the Bonds, combines data extracted from the Uniform Financial Reports and data submitted by each Local Government. This information has been certified by each Local Government as to its accuracy. This information does not represent all of the information contained in the Uniform Financial Reports, which are available as noted in the preceding paragraph. The Administration has not verified the information on the following pages and makes no representation as to the accuracy or completeness thereof or the financial condition of any Local Government, County, or Municipality (if any) guaranteeing the Local Obligations of its agency or instrumentality described in this Appendix.

NOTE: The Town of Pittsville's financial information was not included with this annual filing due on or before March 31st, 2018 for the following reason: on July 14th, 2017, Pittsville wired funds to the Administration's trustee (M&T Bank) sufficient to pay-off the Town's remaining 1998 Series B loan obligation. Upon receipt of the pay-off, a Notice of Redemption was issued on July 14th, 2017, and a corresponding number of bonds were redeemed on August 14th, 2017, and the Administration ceased to be an Obligated Party with respect to the redeemed bonds.

NOTE 2: As of the date of this filing, the Administration has not yet received FY-2017 Uniform Financial Report ("UFR") excerpts or FY-2017 audited financial statements from the Town of Indian Head ("the Town"). Administration staff will continue to monitor and encourage the Town to provide information, and will file updates in a timely manner once the required materials are complete and published.

Jurisdiction description and location: Emmitsburg sits at the foot of the Blue Ridge Mountains in Frederick Co., approximately 50 miles from Baltimore, MD, 65 miles from Washington, DC, and 10 miles south of Gettysburg, PA.

Population: 3038 (July 2016 est.)

The following General Fund Information is as of June 30, of the applicable fiscal year. All amounts shown below are in dollars.

Revenues:

	Total Local Taxes	Total Licenses & Permits	Total Intergov- ernmental Revenues	Total Service Charges	Total Fines & For- feitures	Total Misc.	Long Term Debt Proceeds	Total Revenues
2017	\$966,268	\$37,740	\$478,954	\$226,846	\$6,110	\$39,056	\$0	\$1,754,974
2016	\$961,136	\$35,596	\$492,992	\$232,770	\$7,556	\$47,326	\$0	\$1,777,376
2015	\$915,556	\$37,281	\$471,641	\$219,677	\$6,200	\$28,626	\$0	\$1,678,981
2014	\$899,280	\$36,628	\$543,000	\$220,808	\$4,950	\$30,866	\$0	\$1,735,532
2013	\$896,653	\$38,745	\$415,063	\$249,400	\$6,070	\$46,777	\$0	\$1,652,708

Expenditures:

	Total General Govt.	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Economic Dev. & Opportunity	Total Debt Service	Total Miscel- laneous	Total Expenditures
2017	\$511,773	\$276,154	\$448,927	\$147,137	\$0	\$0	\$48,812	\$0	\$1,432,803
2016	\$588,989	\$253,323	\$459,132	\$185,299	\$0	\$0	\$48,214	\$0	\$1,534,957
2015	\$521,031	\$232,062	\$451,102	\$175,146	\$0	\$0	\$47,829	\$0	\$1,427,170
2014	\$545,775	\$221,030	\$396,462	\$159,826	\$0	\$0	\$47,610	\$0	\$1,370,703
2013	\$439,726	\$237,239	\$400,146	\$174,578	\$0	\$0	\$47,197	\$0	\$1,298,886

Assets & Liabilities:

	2017	2016	2015	2014	2013
Cash and Investments	\$1,508,244	\$1,377,958	\$1,246,940	\$1,820,100	\$1,068,729
Total Assets	\$1,617,078	\$1,506,498	\$1,352,255	\$2,021,357	\$1,255,636
Total Liabilities	\$218,486	\$241,477	\$201,794	\$136,528	\$223,188
Investment in general fixed assets					
Fund balances	\$1,398,592	\$1,265,021	\$1,150,461	\$1,737,480	\$1,032,448
Unreserved / Undesignated Fund Balances	\$1,398,584	\$1,259,756	\$1,140,045	\$1,102,138	\$1,028,352

Emmitsburg continued

Property Taxes and Taxes Receivable: Real Property

	Total assessed Value of Real Property	General tax rate/\$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2017	\$173,882,326	0.36	\$625,976	\$622,509	\$3,467
2016	\$171,232,241	0.36	\$616,436	\$613,096	\$3,340
2015	\$169,435,687	0.36	\$609,968	\$607,412	\$2,556
2014	\$169,022,778	0.36	\$608,482	\$608,029	\$453
2013	\$168,566,021	0.36	\$606,838	\$604,913	\$1,925

Property Taxes and Taxes Receivable: Personal Property

	Total assessed Value of Personal Property	General tax rate/\$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2017	\$6,940,940.00	0.90	\$62,468	\$30,368	\$32,100
2016	\$6,665,800.00	0.90	\$59,992	\$30,994	\$28,998
2015	\$5,286,990.00	0.90	\$47,583	\$31,567	\$16,016
2014	\$4,434,850.00	0.90	\$39,914	\$36,549	\$3,365
2013	\$5,007,870.00	0.90	\$45,071	\$43,025	\$2,046



The Town of Emmitsburg, Maryland

**Financial Statements, Supplementary Information,
and Independent Auditors' Reports**

For the Year Ended June 30, 2017

**Town of Emmitsburg, Maryland
Summary of Elected and Appointed Officials**

As of June 30, 2017

Mayor

Donald N. Briggs

Commissioners

Glenn Blanchard

Elizabeth Buckman

Tim O'Donnell

Joseph Ritz III

Clifford L. Sweeney

Town Manager

Cathy Willets

Town Auditor

DeLeon and Stang, CPAs and Advisors

Town Attorney

John R. Clapp, Esquire

**Town of Emmitsburg, Maryland
For the Year Ended June 30, 2017**

TABLE OF CONTENTS

Financial Section

Independent Auditors' Report	1
Management's Discussion and Analysis	3

Basic Financial Statements

Government-wide financial statements	
Statement of Net Position	9
Statement of Activities	10
Fund-level financial statements	
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of Fund Balance to Net Position of Governmental Activities	13
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
Notes to the Financial Statements	18

Required Supplementary Information

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund	39
Schedule of the Town's Proportionate Share of the Net Pension Liability	44
Schedule of Contributions and Related Ratios	44

Other Information

Independent Auditors' Report on:

Internal Control over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

47



Allen P. DeLeon, CPA, PFS, CITP
Richard C. Stang, CPA, PFS, ABV
Jeanie Price, PAFM
Bradly L. Hoffman, CPA
Daniel L. Dellon, CPA, ABV, CFF

www.deleonandstang.com

INDEPENDENT AUDITORS' REPORT

**Mayor and Board of Commissioners
Town of Emmitsburg, Maryland**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Emmitsburg, Maryland, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Emmitsburg, Maryland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Town of Emmitsburg, Maryland
Independent Auditors' Report
Page 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town of Emmitsburg, Maryland, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3 – 8 and 39 – 46 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017, on our consideration of the Town of Emmitsburg, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Emmitsburg, Maryland's internal control over financial reporting and compliance.

DeLeon & Stang

DeLeon and Stang CPAs and Advisors
Frederick, Maryland
November 15, 2017





Town of Emmitsburg

Mayor Donald N. Briggs

Board of Commissioners
Timothy O'Donnell, *President*
Clifford Sweeney, *Vice President*
Glenn Blanchard, *Treasurer*

Joseph Ritz III

Elizabeth Buckman

Town Manager

Cathy Willets

Town Clerk

Madeline Shaw

TOWN OF EMMITSBURG, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Emmitsburg, Maryland, we offer readers of the Town of Emmitsburg's financial statements this narrative overview and analysis of the financial activities of the Town of Emmitsburg as of and for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with all other information furnished in this package.

FINANCIAL HIGHLIGHTS:

1. The Town's government-wide net position decreased \$201,430 in fiscal year 2017 as compared to a decrease of \$28,615 in fiscal year 2016. This was primarily due to the additional outlays associated with the Town's Waste Water Treatment Plant, which was completed in June 2016, resulting in a full year's depreciation in fiscal year 2017.

2. The assets of the Town of Emmitsburg exceeded its liabilities and as of June 30, 2017 as below noted:

Governmental Activities \$5,134,747 (up \$266,866 from last year)

Business-Type Activities – Enterprise Funds\$27,636,071 (down \$468,296 from last year):
primarily due to increased accumulated depreciation at fiscal year end.

Of the total net position, \$5,350,633 is unrestricted, \$1,335,480 is restricted and \$26,084,705 is net investment in capital assets.

Management's Discussion and Analysis

3. Total governmental and business-type assets were \$6,101,460 and \$34,741,576, respectively. Capital assets, net of accumulated depreciation, for governmental and business-type activities were \$3,645,403 and \$29,346,180, respectively.
4. Total deferred outflows of resources for governmental and business-type activities were \$75,936 and \$54,989, respectively.
5. Total governmental and business-type liabilities were \$912,502 and \$7,118,745, respectively. Of these amounts, \$7,601,821 are long-term liabilities.
6. Total deferred inflows of resources for governmental and business-type activities were \$130,147 and \$41,749, respectively.
7. As of June 30, 2017, the Town of Emmitsburg's governmental funds reported a combined ending fund balance of \$2,156,595 (up \$197,649 from last year). Of that amount, \$1,398,584 is unassigned or 64.9% of total government fund balance.
8. As of June 30, 2017, the Town of Emmitsburg's revenues were as herein noted: Governmental Funds were \$1,914,864 (up \$118,490 or 6.6% from last year), Enterprise Funds operating revenues were \$1,399,891 (down \$29,173 or 2.0% from last year). The increase in governmental funds revenue was primarily from increased Intergovernmental revenues, increasing \$124,589 from the prior year. Decreases in water and sewer consumption during the fiscal year were responsible for the decreased business-type revenue variance.
9. As of June 30, 2017 the Town of Emmitsburg's expenditures were as herein noted: Governmental Funds were \$1,717,215 (down \$22,719 or 1.3% from last year), Enterprise Funds operating expenses were \$1,809,927 (up \$213,420 or 13.4% from last year). The governmental funds decrease is contributable to a decrease in General government and Public works expenditures. The majority of the business-type increase is contributable to the Town's Waste Water Treatment Plant capitalized in fiscal year 2016 and the resulting full year's depreciation during fiscal year 2017.

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS:

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

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

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

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

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

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

The government-wide financial statements can be found on pages 9 – 10 of this report.

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

The fund financial statements can be found on pages 11 – 17 of this report.

Management's Discussion and Analysis

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

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

The governmental funds financial statements can be found on pages 11 – 13 of this report.

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

The proprietary funds financial statements can be found on pages 14 – 17 of this report.

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

The notes to the financial statements can be found on pages 18 – 38 of this report.

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

The required supplementary information can be found on pages 39 – 46 of this report.

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

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

Management's Discussion and Analysis

	Governmental Activities		Total Government	
	2016	2017	2016	2017
REVENUES				
Program Revenues				
Charges for services	\$ 276,590	\$ 270,696	\$ 1,705,654	\$ 1,670,587
Operating grants and contributions	125,951	109,333	125,951	109,333
Capital grants and contributions	9,918	148,545	326,396	148,545
General Revenues				
Taxes	961,136	966,268	961,136	966,268
Intergovernmental	366,372	369,621	366,372	369,621
Investment income	3,396	9,119	7,116	18,237
Rental income	33,007	36,382	37,807	123,582
Miscellaneous	20,003	4,900	20,453	5,705
TOTAL REVENUES	\$ 1,796,373	\$ 1,914,864	\$ 3,550,885	\$ 3,411,878
PROGRAM EXPENSES				
General government	\$ 641,744	\$ 563,392	\$ 641,744	\$ 563,392
Public safety	259,939	276,154	259,939	276,154
Public works	632,378	598,551	632,378	598,551
Recreation and culture	242,009	195,657	242,009	195,657
Interest	14,223	14,244	14,223	14,244
Business-type activities	-	-	1,789,207	1,965,310
TOTAL PROGRAM EXPENSES	1,790,293	1,647,998	3,579,500	3,613,308
TRANSFERS	-	-	-	-
CHANGE IN NET POSITION	\$ 6,080	\$ 266,866	\$ (28,615)	\$ (201,430)

Budget Variances

In comparing the final budget amounts to the actual revenues and expenditures for the Town's General Fund, the Town's revenues were higher than the appropriated budget by \$798 or slightly above expectations. Revenues associated with Real property, Personal property, and Interest income revenues were above expectations. General Fund expenditures were under budget by \$132,773 or 8.5% below budgeted expenses. Factors contributing to lower than expected expenses were a reduction in staff, closure of the community pool, and lower than anticipated use of consulting services during the fiscal year. These items directly lowered the expenses in the Legislative, Planning & Zoning, Public Works, and Recreation & Culture departments.

Management's Discussion and Analysis

Budget Fiscal Year 2018

Approved fiscal year 2018 General Fund revenues budget is \$1,743,959. Budgeted General Fund expenses before transfer to CIP is \$1,525,618. General Fund budgeted transfer to CIP is \$218,341.

The real estate tax rate will remain unchanged from fiscal year 2017. The constant yield rate was determined at the same rate as 2017. Real Estate Tax revenue held steady in both fiscal years 2016 & 2017.

The Town will continue to set aside budgetary amounts in the Capital Projects Fund with an emphasis on curb, gutter, sidewalk, & road work, along with future vehicle replacement. In addition, funds for replacement of the Town Pool will be set aside in this year's budget.

Renovations for the Town of Emmitsburg Community Pool have been initiated and are anticipated to be completed in the spring of 2018. A grant of \$217,200 from the Department of Natural Resources has been acquired under the Community Parks & Playgrounds funding source. This will allow renovation for the 45 year old pool at Emmitsburg Community Park.

Construction of a Town Dog Park has begun and on schedule to be completed in the spring of 2018. The Town has initiated a dog park campaign taking donations from the public to go towards the project. Grant funds will also assist in completion of the dog park.

Construction work on the Town Square Revitalization is scheduled to be completed in the spring of 2018 and will have approximate costs of \$300,000. The Town Square costs will be partially funded by a grant with a portion to be funded by Town resources.

Water & sewer rates will remain the same as fiscal year 2017. Minimum quarterly rates for water are \$35 and \$113 for sewer for a residential household with a standard $\frac{3}{4}$ inch meter size. These rates are based upon the minimum first 6,000 gallons. The Town of Emmitsburg's rate schedule is a tier schedule based upon the amount of gallons used each quarter. A rate schedule can be obtained upon request by contacting the Town offices.

The Town will continue to monitor the water consumption needs of its residents and businesses. The Town anticipates water & sewer infrastructure improvements to be made during the fiscal year including setting aside funds for replacement of water meters. And last, Town staff will continue to make a detailed watch of the expenses concerning operating the Waste Water Treatment Plant.

Request for more information:

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

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

TOWN OF EMMITSBURG, MARYLAND
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,172,118	\$ 3,874,838	\$ 6,046,956
Restricted cash	-	1,129,080	1,129,080
Property taxes receivable, net	14,742	-	14,742
Due from customers	49,319	369,749	419,068
Due from other governments	187,261	-	187,261
Other receivables	32,609	-	32,609
Benefit assessments	-	21,729	21,729
Prepaid expenses	8	-	8
Capital assets:			
Capital assets not being depreciated	1,389,893	2,897,665	4,287,558
Capital assets being depreciated	6,677,076	34,990,136	41,667,212
Less: Accumulated depreciation	(4,421,566)	(8,541,621)	(12,963,187)
Capital assets, net	<u>3,645,403</u>	<u>29,346,180</u>	<u>32,991,583</u>
Total Assets	<u>6,101,460</u>	<u>34,741,576</u>	<u>40,843,036</u>
Deferred Outflows of Resources	<u>75,936</u>	<u>54,989</u>	<u>130,925</u>
Total Assets and Deferred Outflows of Resources	<u>6,177,396</u>	<u>34,796,565</u>	<u>40,973,961</u>
Liabilities			
Accounts payable	132,821	13,390	146,211
Accrued liabilities	3,284	85,117	88,401
Compensated absences	128,320	63,294	191,614
Benefit assessments - current	-	3,200	3,200
Long-term liabilities:			
Benefit assessments - noncurrent	-	35,229	35,229
Net pension liability	382,635	277,079	659,714
Debt obligations due within one year	37,573	332,388	369,961
Debt obligations due in more than one year	227,869	6,309,048	6,536,917
Total Liabilities	<u>912,502</u>	<u>7,118,745</u>	<u>8,031,247</u>
Deferred Inflows of Resources	<u>130,147</u>	<u>41,749</u>	<u>171,896</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,042,649</u>	<u>7,160,494</u>	<u>8,203,143</u>
Net Position			
Net investment in capital assets	3,379,961	22,704,744	26,084,705
Restricted - specific purposes	206,400	1,129,080	1,335,480
Unrestricted	1,548,386	3,802,247	5,350,633
Total Net Position	<u>\$ 5,134,747</u>	<u>\$ 27,636,071</u>	<u>\$ 32,770,818</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General government	\$ (563,392)	\$ 40,619	\$ -	\$ -	\$ (522,773)	\$ -	\$ (522,773)
Public safety	(276,154)	-	16,717	-	(259,437)	-	(259,437)
Public works	(598,551)	212,752	92,616	-	(293,183)	-	(293,183)
Recreation and culture	(195,657)	17,325	-	148,545	(29,787)	-	(29,787)
Interest on long-term debt	(14,244)	-	-	-	(14,244)	-	(14,244)
Total governmental activities	<u>(1,647,998)</u>	<u>270,696</u>	<u>109,333</u>	<u>148,545</u>	<u>(1,119,424)</u>	<u>-</u>	<u>(1,119,424)</u>
Business-type activities							
Water services	(599,849)	487,941	-	-	-	(111,908)	(111,908)
Sewer services	<u>(1,365,461)</u>	<u>911,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(453,511)</u>	<u>(453,511)</u>
Total business-type activities	<u>(1,965,310)</u>	<u>1,399,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(565,419)</u>	<u>(565,419)</u>
Total Primary Government	<u>\$ (3,613,308)</u>	<u>\$ 1,670,587</u>	<u>\$ 109,333</u>	<u>\$ 148,545</u>	<u>(1,119,424)</u>	<u>(565,419)</u>	<u>(1,684,843)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					687,952	-	687,952
Income taxes					246,141	-	246,141
Other local taxes					32,175	-	32,175
County tax equity					369,621	-	369,621
Investment income					9,119	9,118	18,237
Rental income					36,382	87,200	123,582
Miscellaneous income					4,900	805	5,705
Total General Revenues					<u>1,386,290</u>	<u>97,123</u>	<u>1,483,413</u>
Change in Net Position					266,866	(468,296)	(201,430)
Net Position - beginning of year					<u>4,867,881</u>	<u>28,104,367</u>	<u>32,972,248</u>
Net Position - end of year					<u>\$ 5,134,747</u>	<u>\$ 27,636,071</u>	<u>\$ 32,770,818</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND

**Balance Sheet
Governmental Funds**

June 30, 2017

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,508,244	\$ 663,874	\$ 2,172,118
Receivables:			
Taxes	14,742	-	14,742
Customers	49,319	-	49,319
Other governments	12,156	130,263	142,419
Other	32,609	-	32,609
Prepaid items	8	-	8
Total Assets	<u>\$ 1,617,078</u>	<u>\$ 794,137</u>	<u>\$ 2,411,215</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 132,821	-	\$ 132,821
Accrued liabilities	3,284	-	3,284
Total Liabilities	<u>136,105</u>	<u>-</u>	<u>136,105</u>
Deferred Inflows of Resources	<u>82,381</u>	<u>36,134</u>	<u>118,515</u>
Fund Balances			
Nonspendable	8	-	8
Restricted	-	206,400	206,400
Committed	-	-	-
Assigned	-	551,603	551,603
Unassigned	<u>1,398,584</u>	<u>-</u>	<u>1,398,584</u>
Total Fund Balances	<u>1,398,592</u>	<u>758,003</u>	<u>2,156,595</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,617,078</u>	<u>\$ 794,137</u>	<u>\$ 2,411,215</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General	Capital Projects	Total Governmental Funds
Revenues			
Local property taxes	\$ 687,952	\$ -	\$ 687,952
Local income taxes	246,141	-	246,141
Other local taxes	32,175	-	32,175
Licenses and permits	37,740	-	37,740
Intergovernmental revenues	478,954	148,545	627,499
Service charges	226,846	-	226,846
Fines and forfeitures	6,110	-	6,110
Miscellaneous	39,056	11,345	50,401
Total Revenues	1,754,974	159,890	1,914,864
Expenditures			
General government	511,773	23,439	535,212
Public safety	276,154	-	276,154
Public works	448,927	104,904	553,831
Recreation and culture	147,137	156,069	303,206
Debt service	48,812	-	48,812
Total Expenditures	1,432,803	284,412	1,717,215
Excess (Deficiency) of Revenues over Expenditures	322,171	(124,522)	197,649
Other Financing Sources (Uses)			
Transfers in (out)	(188,600)	188,600	-
Total Other Financing Sources (Uses)	(188,600)	188,600	-
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	133,571	64,078	197,649
Fund Balance July 1, 2016	1,265,021	693,925	
Fund Balance June 30, 2017	\$ 1,398,592	\$ 758,003	
Adjustments for the Statement of Activities			
Capital outlay			258,338
Depreciation expense			(189,556)
Compensated absences			(19,605)
Debt service expenditures			34,568
Net pension adjustment			(14,528)
Change in Net Position of Governmental Activities			\$ 266,866

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Reconciliation of Fund Balance to Net Position of Governmental Activities
June 30, 2017

Fund balances - governmental funds	\$	2,156,595
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Amounts reported for governmental activities in the statement of net position are different because:

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

Property and equipment, net		3,645,403
Deferred outflows of resources - pension		75,936
Long-term receivable		44,842
Deferred inflows of resources - pension		(11,632)

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

Long-term debt		(265,442)
Compensated absences		(128,320)
Net pension liability		<u>(382,635)</u>
Net position - governmental activities	\$	<u>5,134,747</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 415,210	\$ 3,459,628	\$ 3,874,838
Restricted cash	259,000	870,080	1,129,080
Due from customers	114,067	255,682	369,749
Benefit assessments - current	3,200	-	3,200
Total Current Assets	<u>791,477</u>	<u>4,585,390</u>	<u>5,376,867</u>
Capital Assets			
Capital assets not being depreciated	2,648,996	248,669	2,897,665
Capital assets being depreciated	6,821,779	28,168,357	34,990,136
Accumulated depreciation	<u>(2,695,646)</u>	<u>(5,845,975)</u>	<u>(8,541,621)</u>
Capital Assets, Net	<u>6,775,129</u>	<u>22,571,051</u>	<u>29,346,180</u>
Benefit assessments - noncurrent	<u>18,529</u>	<u>-</u>	<u>18,529</u>
Total Assets	<u>7,585,135</u>	<u>27,156,441</u>	<u>34,741,576</u>
Deferred Outflows of Resources	<u>24,707</u>	<u>30,282</u>	<u>54,989</u>
Total Assets and Deferred Outflows of Resources	<u>7,609,842</u>	<u>27,186,723</u>	<u>34,796,565</u>
Liabilities			
Current Liabilities			
Accounts payable	7,818	5,572	13,390
Accrued liabilities	12,785	72,332	85,117
Compensated absences	47,914	15,380	63,294
Benefit assessments - current	3,200	-	3,200
Debt obligations due within one year	<u>139,007</u>	<u>193,381</u>	<u>332,388</u>
Total Current Liabilities	<u>210,724</u>	<u>286,665</u>	<u>497,389</u>
Noncurrent Liabilities			
Benefit assessments - noncurrent	35,229	-	35,229
Net pension liability	124,749	152,330	277,079
Debt obligations due in more than one year	<u>853,806</u>	<u>5,455,242</u>	<u>6,309,048</u>
Total Noncurrent Liabilities	<u>1,013,784</u>	<u>5,607,572</u>	<u>6,621,356</u>
Total Liabilities	<u>1,224,508</u>	<u>5,894,237</u>	<u>7,118,745</u>
Deferred Inflows of Resources	<u>37,087</u>	<u>4,662</u>	<u>41,749</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,261,595</u>	<u>5,898,899</u>	<u>7,160,494</u>
Net Position			
Net investment in capital assets	5,782,316	16,922,428	22,704,744
Restricted - expendable maintenance & improvements	259,000	870,080	1,129,080
Unrestricted	<u>306,931</u>	<u>3,495,316</u>	<u>3,802,247</u>
Total Net Position	<u>\$ 6,348,247</u>	<u>\$ 21,287,824</u>	<u>\$ 27,636,071</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 480,550	\$ 911,415	\$ 1,391,965
Miscellaneous charges	7,391	535	7,926
Total Operating Revenues	<u>487,941</u>	<u>911,950</u>	<u>1,399,891</u>
Operating Expenses			
Personnel services	249,015	264,336	513,351
Operating	175,986	302,594	478,580
Depreciation	<u>153,122</u>	<u>664,874</u>	<u>817,996</u>
Total Operating Expenses	<u>578,123</u>	<u>1,231,804</u>	<u>1,809,927</u>
Operating Loss	(90,182)	(319,854)	(410,036)
Non-operating Revenues (Expenses)			
Investment income	4,559	4,559	9,118
Rental income	7,200	80,000	87,200
Other income	805	-	805
Interest expense	<u>(21,726)</u>	<u>(133,657)</u>	<u>(155,383)</u>
Total Non-operating Revenues (Expenses)	<u>(9,162)</u>	<u>(49,098)</u>	<u>(58,260)</u>
Change in Net Position	<u>(99,344)</u>	<u>(368,952)</u>	<u>(468,296)</u>
Total Net Position, beginning of year	<u>6,447,591</u>	<u>21,656,776</u>	<u>28,104,367</u>
Total Net Position, end of year	<u><u>\$ 6,348,247</u></u>	<u><u>\$ 21,287,824</u></u>	<u><u>\$ 27,636,071</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash flows from operating activities			
Cash receipts from customers	\$ 493,553	\$ 908,494	\$ 1,402,047
Cash payments to suppliers of goods and services	(176,575)	(307,789)	(484,364)
Cash payments to employees for services	(242,998)	(250,027)	(493,025)
Net cash provided by operating activities	<u>73,980</u>	<u>350,678</u>	<u>424,658</u>
Cash flows from non-operating activities			
Rental income	7,200	80,000	87,200
Other income	805	-	805
Net cash provided by non-operating activities	<u>8,005</u>	<u>80,000</u>	<u>88,005</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	(48,197)	(17,382)	(65,579)
Proceeds on bond and loans payable	-	258,000	258,000
Principal paid on bond and loans payable	(122,982)	(368,015)	(490,997)
Interest paid on capital debt	(26,695)	(134,325)	(161,020)
Net cash provided by (used in) capital and related financing activities	<u>(197,874)</u>	<u>(261,722)</u>	<u>(459,596)</u>
Cash flows from investing activities			
Investment income	4,559	4,559	9,119
Net cash provided by investing activities	<u>4,559</u>	<u>4,559</u>	<u>9,119</u>
Net increase (decrease) in cash and cash equivalents	(111,330)	173,515	62,185
Cash and cash equivalents - beginning of year	<u>785,540</u>	<u>4,156,193</u>	<u>4,941,733</u>
Cash and cash equivalents - end of year	<u>\$ 674,210</u>	<u>\$ 4,329,708</u>	<u>\$ 5,003,918</u>
Cash and cash equivalents:			
Unrestricted	\$ 415,210	\$ 3,459,628	\$ 3,874,838
Restricted	<u>259,000</u>	<u>870,080</u>	<u>1,129,080</u>
	<u>\$ 674,210</u>	<u>\$ 4,329,708</u>	<u>\$ 5,003,918</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of operating income (loss) to			
Net cash provided by operating activities			
Operating income (loss)	\$ (90,182)	\$ (319,854)	\$ (410,036)
Depreciation	153,122	664,874	817,996
Net changes in assets and liabilities:			
Due from customers	6,612	(6,473)	139
Prepaid expenses	-	13,190	13,190
Deferred outflows of resources	7,261	8,790	16,051
Accounts payable	(589)	(18,385)	(18,974)
Accrued liabilities	(12,362)	(8,346)	(20,708)
Compensated absences	3,651	9,054	12,705
Net pension liability	11,978	14,500	26,478
Deferred inflows of resources	(5,511)	(6,672)	(12,183)
Net cash provided by operating activities	<u>\$ 73,980</u>	<u>\$ 350,678</u>	<u>\$ 424,658</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements
June 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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

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

The following is a brief description of the specific funds used by the Town for the year ended June 30, 2017:

Governmental Fund Types

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

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Proprietary Fund Types

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

Budgets and Budgetary Accounting

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

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

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents, and Investments

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

Receivables and Doubtful Accounts

Significant receivables include amounts due from customers primarily for property taxes and utility services. These receivables are due within one year. For the year ended June 30, 2017, the Town has an allowance for doubtful property taxes of \$20,825 reported in the general fund.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid expenses. In governmental funds, reported prepaid expenses are equally offset by non-spendable fund balance amounts, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Capital Assets

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

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term Interfund Receivables/Payables

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

Compensated Absences

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

Deferred Outflows / Inflows of Resources

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

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

Commitments and Contingent Liabilities

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

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

Net Position

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

Fund Balance

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

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

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

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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

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

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

Use of Estimates

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

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments exists when, in the event of the failure of the counterparty to a transaction, a government may be unable to recover the value of investment or collateral securities that are in the possession of an outside party. As of year-end, the Town’s carrying amount of deposits was \$4,676,066 the bank balance was \$4,689,512 and cash on hand was \$450.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS
(Continued)

The Town maintains deposits at one financial institution. At June 30, 2017, the Town was fully covered by the Federal Deposit Insurance Corporation and pledged collateral.

Included in cash and cash equivalents, the Town had \$2,499,520 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2017.

The Town's cash and investments as of June 30, 2017, reconciled to the total presented in the Statement of Net Position, are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Cash and cash equivalents:			
Unrestricted	\$ 2,172,118	\$ 3,874,838	\$ 6,046,956
Restricted	-	1,129,080	1,129,080
	<u>\$ 2,172,118</u>	<u>\$ 5,003,918</u>	<u>\$ 7,176,036</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Cash on hand	\$ 450	\$ -	\$ 450
Deposits in bank	1,670,233	3,005,833	4,676,066
Investment pools (MLGIP)	501,435	1,998,085	2,499,520
	<u>\$ 2,172,118</u>	<u>\$ 5,003,918</u>	<u>\$ 7,176,036</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy is not explicit as to how interest rate risk is managed. The interest rate in the MLGIP fluctuates throughout the year. The applicable interest rate at June 30, 2017 was 0.94 %.

Credit Risk

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

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 2 **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**
(Continued)

Credit Risk (Continued)

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

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

Concentration of Credit Risk

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

NOTE 3 **PROPERTY TAXES**

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

Property taxes become delinquent on October 1. Interest accrues at 1% monthly for delinquent property taxes. Tax liens on real property are sold at public auction the second Monday in May on taxes delinquent since October 1 of the current fiscal year. Total assessable base on which levies were made for the year ended June 30, 2017 was \$174,398,426 and the property tax rate was \$0.36 per \$100 of assessed value.

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 4 CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance July 1, 2016</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Dispositions</u>	<u>Balance June 30, 2017</u>
Capital assets, not being depreciated				
Land	\$ 1,164,089	\$ -	\$ -	\$ 1,164,089
Historical Collections	36,750	-	-	36,750
Construction in progress	<u>62,262</u>	<u>284,410</u>	<u>(157,618)</u>	<u>189,054</u>
Total capital assets not being depreciated	<u>1,263,101</u>	<u>284,410</u>	<u>(157,618)</u>	<u>1,389,893</u>
Capital assets, being depreciated				
Buildings	736,051	25,110	-	761,161
Improvements	669,952	-	-	669,952
Infrastructure	4,535,285	106,435	-	4,641,720
Machinery and equipment	<u>629,725</u>	<u>-</u>	<u>(25,482)</u>	<u>604,243</u>
Total capital assets being depreciated	<u>6,571,013</u>	<u>131,545</u>	<u>(25,482)</u>	<u>6,677,076</u>
Less: accumulated depreciation	<u>(4,257,492)</u>	<u>(189,556)</u>	<u>25,482</u>	<u>(4,421,566)</u>
Total capital assets being depreciated, net	<u>2,313,521</u>	<u>(58,011)</u>	<u>-</u>	<u>2,255,510</u>
Governmental Activities capital assets, net	<u>\$ 3,576,622</u>	<u>\$ 226,399</u>	<u>\$ (157,618)</u>	<u>\$ 3,645,403</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 25,343
Public works - streets	129,523
Parks and recreation	<u>34,690</u>
	<u>\$ 189,556</u>

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 4 CAPITAL ASSETS (Continued)

<u>Business-type Activities</u>	<u>Balance July 1, 2016</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Dispositions</u>	<u>Balance June 30, 2017</u>
Capital assets, not being depreciated				
Land and land improvements	\$ 2,669,550	\$ -	\$ -	\$ 2,669,550
Construction in progress	228,114	-	-	228,114
Total capital assets not being depreciated	<u>2,897,664</u>	<u>-</u>	<u>-</u>	<u>2,897,664</u>
Capital assets, being depreciated				
Buildings and improvements	6,876,073	-	(5,700)	6,870,373
Infrastructure	27,914,537	17,382	-	27,931,919
Machinery and equipment	185,248	48,197	(45,600)	187,845
Total capital assets being depreciated	<u>34,975,858</u>	<u>65,579</u>	<u>(51,300)</u>	<u>34,990,137</u>
Less: accumulated depreciation	<u>(7,774,925)</u>	<u>(817,996)</u>	<u>51,300</u>	<u>(8,541,621)</u>
Total capital assets being depreciated, net	<u>27,200,933</u>	<u>(752,417)</u>	<u>-</u>	<u>26,448,516</u>
Business-type Activities capital assets, net	<u>\$ 30,098,597</u>	<u>\$ (752,417)</u>	<u>\$ -</u>	<u>\$ 29,346,180</u>

Depreciation expense was charged to functions/programs as follows:

Business-type Activities	
Water	\$ 153,122
Sewer	<u>664,874</u>
	<u>\$ 817,996</u>

NOTE 5 UNEARNED REVENUE

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 6 DEBT OBLIGATIONS

Debt outstanding at June 30, 2017 is as follows:

<u>Purpose</u>	<u>Rate</u>	<u>Amount</u>
Wastewater Plant Improvement Bonds of 1988; Community Development Administration; Due 2018; Annual principal varies plus interest.	4.75%	\$ 72,000
Infrastructure Financing Bonds 2001 Series A; Maryland Department of Housing and Community Development; Due 2021; Annual principal and interest of approximately \$15,200.	4.50%	55,100
Drinking Water State Revolving Fund; Maryland Water Quality Financing Administration; Due 2020; Annual principal and interest of approximately \$45,500.	1.20%	128,738
Drinking Water State Revolving Fund; Maryland Water Quality Financing Administration; Due 2024; Annual principal and interest of approximately \$23,200.	1.20%	147,739
Drinking Water State Revolving Fund; Maryland Water Quality Financing Administration; Due 2021; Annual principal and interest of approximately \$53,700.	2.40%	193,104
Drinking Water State Revolving Fund; Maryland Water Quality Financing Administration; Due 2026; Annual principal and interest of approximately \$26,579.	1.10%	215,716
General Obligation Bond, Series 2009; Due 2029; Semi-annual interest payments with principal amounts due annually.	2.96%	436,255
Woodsboro Bank loan; Due 2021; Monthly principal and interest of approximately \$1,504.	4.00%	195,942
General Obligation Bond (USDA), Series 2014; Financing for WWTP, principal - \$5,419,000, due 2055; Quarterly principal and interest of \$52,565.	2.38%	5,206,715
General Obligation Bond (USDA), Series 2016; due 2075; Quarterly principal and interest of \$2,101.	1.38%	<u>255,569</u>
Total Debt Obligations		<u><u>\$ 6,906,878</u></u>

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 6 DEBT OBLIGATIONS (Continued)

Changes in Non-Current Liabilities

During the year ended June 30, 2017, the following changes in long-term obligations occurred:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Due within one year</u>
1988 CDA	\$ 139,000	\$ -	\$ (67,000)	\$ 72,000	\$ 72,000
2000 MDE	238,585	-	(45,481)	193,104	46,572
2001 CDA	67,200	-	(12,100)	55,100	12,800
2004 MDE	167,856	-	(20,117)	147,739	20,358
2004 MDE	170,638	-	(41,900)	128,738	42,402
2007 MDE	238,400	-	(22,684)	215,716	22,933
Woodsboro Bank	205,010	-	(9,068)	195,942	10,373
2009 General Obligation Bond	470,955	-	(34,700)	436,255	49,144
2014 USDA GO Bonds	5,293,127	-	(86,412)	5,206,715	88,464
2015 PNC Interim Financing	183,673	-	(183,673)	-	-
2016 USDA GO Bonds	-	258,000	(2,431)	255,569	4,915
Total	<u>\$7,174,444</u>	<u>\$258,000</u>	<u>\$(525,566)</u>	<u>\$ 6,906,878</u>	<u>\$369,961</u>

At June 30, 2017, the debt obligations are recorded as follows:

Governmental activities	\$ 265,442
Business-type activities:	
Water Fund	992,813
Sewer Fund	<u>5,648,623</u>
Total long-term debt obligations	<u>\$6,906,878</u>

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 6 DEBT OBLIGATIONS (Continued)

Interest expense

For the year ended June 30, 2017 total interest costs were \$168,449 and reported as follows: interest expense of \$13,066 for governmental activities and \$155,383 for business-type activities. Cash paid for interest for business-type activities was \$90,666.

Debt service requirements are as follows:

	<u>Principal</u>	<u>Interest & Fees</u>	<u>Total</u>
2018	\$ 369,961	\$ 171,259	\$ 541,220
2019	305,086	159,046	464,132
2020	312,534	106,116	418,650
2021	276,113	209,805	485,918
2022	356,312	129,606	485,918
2023-2027	849,672	561,154	1,410,826
2028-2032	615,501	477,727	1,093,228
2032-2037	690,588	402,640	1,093,228
2038-2042	774,911	318,317	1,093,228
2043-2047	869,624	223,604	1,093,228
2048-2052	976,001	117,227	1,093,228
2053-2057	497,924	14,941	512,865

Conduit Debt

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

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

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 6 DEBT OBLIGATIONS (Continued)

Conduit Debt (Continued)

As of June 30, 2017, the conduit debt obligations outstanding were \$17,393,276 and \$1,250,000 respectively.

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

NOTE 7 EMPLOYEE BENEFITS

Cost-sharing Multiple Employer Pension Plan:

Plan Description

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

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

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

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 7 EMPLOYEE BENEFITS (Continued)

Funding policy

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

2012	\$ 13,505
2013	13,388
2014	14,087
2015	14,521
2016	14,544
2017	14,388

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

2012	\$ 61,513
2013	51,651
2014	59,732
2015	60,516
2016	54,470
2017	47,822

Total pension expense for the year ended June 30, 2017 was \$66,565; \$14,528 for governmental activities and \$52,037 for business-type activities.

Key actuarial methods and assumptions:

Actuarial	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Inflation	2.75% general, 3.2% wage
Salary increases	3.30% to 9.2% including inflation
Discount rate	7.55%
Investment rate of return	7.55%
Mortality	RP-2014 Mortality tables
Actuarial valuation date	June 30, 2016

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 7 EMPLOYEE BENEFITS (Continued)

Discount rate (Continued)

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 rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.55%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1%	Current	1%
System	Decrease to 6.55%	Discount	Increase to 8.55%
Employees Pension	\$ 875,613	\$ 659,714	\$ 477,539

Deferred compensation plan

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 8 GRANTS FROM GOVERNMENTAL UNITS

Federal and state governmental units represent an important source of supplementary funding used to finance construction, maintenance, employment programs, and other activities beneficial to the community. The grants received by the Town specify the purpose for which the grant funds are to be used, and such grants are subject to audit by the granting agency or its representative if Federal expenditures for the fiscal year exceed \$750,000. The Town's federal grant expenditures were less than \$750,000; therefore, they are not subject to the Single Audit Act for fiscal year 2017.

NOTE 9 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

For the year ended June 30, 2017, the Town reported deferred outflows and inflows of resources related to the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of pension assumptions	\$ 83,103	\$ -
Net difference between projected and actual earnings on pension plan investments	-	20,055
Town's contributions subsequent to the measurement date	<u>47,822</u>	<u>-</u>
	<u>\$ 130,925</u>	<u>\$ 20,055</u>
Other deferred inflows:		
Property taxes - subsequent year		8,672
Unavailable revenues		<u>143,169</u>
		<u>\$ 171,896</u>

Deferred outflows of resources of \$47,822 related to pensions resulting from the Town's contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2018	\$(15,123)
2019	(15,126)
2020	(23,649)
2021	(11,283)
2022	2,133

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 10 RESTRICTED NET POSITION

The Town has instituted through a local ordinance a surcharge on water and sewer connections for the purpose of funding necessary repairs and maintenance and improvements to the Town’s Water and Sewer system. In addition, the Mayor and Commissioners set-aside funds for specific projects. As of June 30, 2017, the total amount restricted is as follows:

Surcharges for improvements - Water Fund	<u>\$ 259,000</u>
Surcharges for improvements - Sewer Fund	745,500
Lagoon improvements	90,000
Other building improvements	<u>34,580</u>
	<u>\$ 870,080</u>

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

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

NOTE 11 RISK MANAGEMENT

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

TOWN OF EMMITSBURG, MARYLAND
Notes to the Financial Statements (Continued)
June 30, 2017

NOTE 12 SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the Statement of Net Position date through the date that the financial statements are available to be issued. The Town performed an evaluation as of November 15, 2017, the date the financial statements were available to be issued.

TOWN OF EMMITSBURG, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
General Fund

For the year ended June 30, 2017	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Local property taxes				
Real property	\$ 610,800	\$ 610,800	\$ 626,957	\$ 16,157
Personal property	45,000	45,000	62,615	17,615
Penalties and interest	6,500	6,500	6,407	(93)
Less discounts	<u>(8,000)</u>	<u>(8,000)</u>	<u>(8,027)</u>	<u>(27)</u>
Net local property taxes	<u>654,300</u>	<u>654,300</u>	<u>687,952</u>	<u>33,652</u>
Local income taxes	<u>205,000</u>	<u>205,000</u>	<u>246,141</u>	<u>41,141</u>
Other local taxes				
Admissions and amusement taxes	2,500	2,500	6,141	3,641
Public utility taxes	<u>25,000</u>	<u>25,000</u>	<u>26,034</u>	<u>1,034</u>
Total other local taxes	<u>27,500</u>	<u>27,500</u>	<u>32,175</u>	<u>4,675</u>
Licenses and permits				
Trader's licenses	4,000	4,000	5,512	1,512
Cable franchise fees	<u>30,000</u>	<u>30,000</u>	<u>32,228</u>	<u>2,228</u>
Total licenses and permits	<u>34,000</u>	<u>34,000</u>	<u>37,740</u>	<u>3,740</u>
Intergovernmental revenues				
State Aid for Police Protection	16,834	16,834	16,717	(117)
County - tax equity	369,621	369,621	369,621	-
Highway user revenues	91,206	91,206	25,828	(65,378)
Other	<u>24,400</u>	<u>91,188</u>	<u>66,788</u>	<u>(24,400)</u>
Total intergovernmental revenues	<u>502,061</u>	<u>568,849</u>	<u>478,954</u>	<u>(89,895)</u>
Service charges				
Garbage and tipping fees	191,000	191,000	192,739	1,739
Zoning permits	3,600	3,600	2,879	(721)
Parking meter receipts	15,800	15,800	13,903	(1,897)
Swimming pool	<u>21,000</u>	<u>21,000</u>	<u>17,325</u>	<u>(3,675)</u>
Total service charges	<u>231,400</u>	<u>231,400</u>	<u>226,846</u>	<u>(4,554)</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
General Fund

For the year ended June 30, 2017	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Fines and forfeitures				
Parking fines	\$ 7,000	\$ 7,000	\$ 6,110	\$ (890)
Miscellaneous revenues				
Interest income	1,500	1,500	9,119	7,619
Rental income	22,327	22,327	26,902	4,575
Other	2,300	2,300	3,035	735
Total miscellaneous revenues	<u>26,127</u>	<u>26,127</u>	<u>39,056</u>	<u>12,929</u>
Total revenues	<u>\$ 1,687,388</u>	<u>\$ 1,754,176</u>	<u>\$ 1,754,974</u>	<u>\$ 798</u>
General Government				
Legislative				
Salaries	\$ 56,339	\$ 56,339	\$ 47,139	\$ 9,200
Fringe benefits	6,305	6,305	4,855	1,450
Total salaries and fringe benefits	<u>62,644</u>	<u>62,644</u>	<u>51,994</u>	<u>10,650</u>
Operations				
Other operating	54,457	54,457	40,595	13,862
Total operations	<u>54,457</u>	<u>54,457</u>	<u>40,595</u>	<u>13,862</u>
Capital Outlay	1,500	1,500	153	1,347
Total Legislative	<u>118,601</u>	<u>118,601</u>	<u>92,742</u>	<u>25,859</u>
Legal	<u>6,700</u>	<u>6,700</u>	<u>8,206</u>	<u>(1,506)</u>
Planning and Zoning				
Salaries	120,165	120,165	92,352	27,813
Fringe benefits	26,514	26,514	22,917	3,597
Total salaries and fringe benefits	<u>146,679</u>	<u>146,679</u>	<u>115,269</u>	<u>31,410</u>
Operations				
Other operating	15,982	15,982	9,010	6,972
Total operations	<u>15,982</u>	<u>15,982</u>	<u>9,010</u>	<u>6,972</u>
Capital outlay	2,000	2,000	153	1,847
Total Planning and Zoning	<u>164,661</u>	<u>164,661</u>	<u>124,432</u>	<u>40,229</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
General Fund

For the year ended June 30, 2017	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Financial Administration				
Salaries	\$ 74,393	\$ 74,393	\$ 72,562	\$ 1,831
Fringe benefits	<u>50,343</u>	<u>50,343</u>	<u>49,364</u>	<u>979</u>
Total salaries and fringe benefits	<u>124,736</u>	<u>124,736</u>	<u>121,926</u>	<u>2,810</u>
Operations				
Other operating	26,972	26,972	35,507	(8,535)
Accounting and auditing	<u>16,000</u>	<u>16,000</u>	<u>11,273</u>	<u>4,727</u>
Total operations	<u>42,972</u>	<u>42,972</u>	<u>46,780</u>	<u>(3,809)</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Administration	<u>167,708</u>	<u>167,708</u>	<u>168,706</u>	<u>(999)</u>
General Services				
Salaries	44,583	44,583	48,807	(4,224)
Fringe benefits	<u>22,071</u>	<u>22,071</u>	<u>21,939</u>	<u>132</u>
Total salaries and fringe benefits	<u>66,654</u>	<u>66,654</u>	<u>70,746</u>	<u>(4,092)</u>
Operations				
Other operating costs	<u>54,148</u>	<u>54,148</u>	<u>46,941</u>	<u>7,207</u>
Total operations	<u>54,148</u>	<u>54,148</u>	<u>46,941</u>	<u>7,207</u>
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total General Services	<u>121,802</u>	<u>121,802</u>	<u>117,687</u>	<u>4,115</u>
Total General Government	<u>\$ 579,472</u>	<u>\$ 579,472</u>	<u>\$ 511,773</u>	<u>\$ 67,698</u>
Public Safety				
Police, ambulance and fire services				
Police protection	\$ 246,950	\$ 246,950	\$ 261,295	\$ (14,345)
Other public safety expenses	6,495	6,495	8,859	(2,364)
Fire and rescue donations	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Total operations	<u>259,445</u>	<u>259,445</u>	<u>276,154</u>	<u>(16,709)</u>
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Public Safety	<u>\$ 260,445</u>	<u>\$ 260,445</u>	<u>\$ 276,154</u>	<u>\$ (15,709)</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
General Fund

For the year ended June 30, 2017	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Public Works				
Highways and Streets				
Salaries	\$ 144,651	\$ 144,651	\$ 129,141	\$ 15,510
Fringe benefits	<u>69,665</u>	<u>69,665</u>	<u>68,408</u>	<u>1,257</u>
Total salaries and fringe benefits	<u>214,316</u>	<u>214,316</u>	<u>197,549</u>	<u>16,767</u>
Operations				
Other operating	<u>140,676</u>	<u>140,676</u>	<u>121,036</u>	<u>19,640</u>
Total operations	<u>140,676</u>	<u>140,676</u>	<u>121,036</u>	<u>19,640</u>
Capital outlay	<u>500</u>	<u>500</u>	<u>153</u>	<u>347</u>
Total Highways and Streets	<u>355,492</u>	<u>355,492</u>	<u>318,738</u>	<u>36,755</u>
Refuse				
Salaries	<u>2,754</u>	<u>2,754</u>	<u>3,146</u>	<u>(392)</u>
Total salaries	<u>2,754</u>	<u>2,754</u>	<u>3,146</u>	<u>(392)</u>
Operations				
Other operating	<u>134,242</u>	<u>134,242</u>	<u>127,043</u>	<u>7,199</u>
Total operations	<u>134,242</u>	<u>134,242</u>	<u>127,043</u>	<u>7,199</u>
Total Refuse	<u>136,996</u>	<u>136,996</u>	<u>130,189</u>	<u>6,807</u>
Total Public Works	<u>\$ 492,488</u>	<u>\$ 492,488</u>	<u>\$ 448,927</u>	<u>\$ 43,562</u>
Recreation and Culture				
Park and swimming pool				
Salaries	\$ 59,998	\$ 59,998	\$ 57,465	\$ 2,533
Fringe benefits	<u>26,871</u>	<u>26,871</u>	<u>26,962</u>	<u>(91)</u>
Total salaries and fringe benefits	<u>86,869</u>	<u>86,869</u>	<u>84,427</u>	<u>2,442</u>
Operations				
Other operating	<u>90,989</u>	<u>90,989</u>	<u>54,872</u>	<u>36,117</u>
Total operations	<u>90,989</u>	<u>90,989</u>	<u>54,872</u>	<u>36,117</u>
Capital Outlay	<u>6,500</u>	<u>6,500</u>	<u>7,838</u>	<u>(1,338)</u>
Total Recreation and Culture	<u>\$ 184,358</u>	<u>\$ 184,358</u>	<u>\$ 147,137</u>	<u>\$ 37,221</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
General Fund

For the year ended June 30, 2017	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget- Positive (Negative)
Debt Service				
Principal payments	\$ 35,280	\$ 35,280	\$ 35,746	\$ (466)
Interest payments	<u>13,533</u>	<u>13,533</u>	<u>13,066</u>	<u>467</u>
Total Debt Service	<u>\$ 48,813</u>	<u>\$ 48,813</u>	<u>\$ 48,812</u>	<u>\$ 1</u>
Total Expenditures	<u>\$ 1,565,576</u>	<u>\$ 1,565,576</u>	<u>\$ 1,432,803</u>	<u>\$ 132,773</u>
Excess of Revenues over Expenditures	<u>\$ 121,812</u>	<u>\$ 188,600</u>	<u>\$ 322,171</u>	<u>\$ 133,571</u>
Other Financing Sources (Uses)				
Transfers	<u>(121,812)</u>	<u>(188,600)</u>	<u>(188,600)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,571</u>	<u>\$ 133,571</u>

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Schedule of the Town's Proportionate Share of the Net Pension Liability

For the year ended June 30, 2017	Employees' Pension System
Town's proportion of the net pension liability	0.002796106%
Town's proportionate share of the net pension liability	<u>\$ 659,714</u>
Covered-employee payroll	\$ 772,254
Town's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>85.43%</u>
Plan Fiduciary Net position as a % of total pension liability	<u>65.79%</u>

TOWN OF EMMITSBURG, MARYLAND
Schedule of Contributions and Related Ratios

For the year ended June 30, 2017	Employees' Pension System
Contractually required contribution	\$ 47,822
Actual contribution	<u>(47,822)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 772,254
Contributions as a percentage of covered-employee payroll	6.19%

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Schedule of the Town's Proportionate Share of the Net Pension Liability

For the year ended June 30, 2016	Employees' Pension System
Town's proportion of the net pension liability	0.002871145%
Town's proportionate share of the net pension liability	<u>\$ 596,673</u>
Covered-employee payroll	\$ 761,803
Town's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>78.32%</u>
Plan Fiduciary Net position as a % of total pension liability	<u>68.78%</u>

TOWN OF EMMITSBURG, MARYLAND
Schedule of Contributions and Related Ratios

For the year ended June 30, 2016	Employees' Pension System
Contractually required contribution	\$ 54,470
Actual contribution	<u>(54,470)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 761,803
Contributions as a percentage of covered-employee payroll	7.15%

The accompanying notes are an integral part of this statement.

TOWN OF EMMITSBURG, MARYLAND
Schedule of the Town's Proportionate Share of the Net Pension Liability

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

TOWN OF EMMITSBURG, MARYLAND
Schedule of Contributions and Related Ratios

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

The accompanying notes are an integral part of this statement.



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

**Mayor and Board of Commissioners
Town of Emmitsburg, Maryland**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Emmitsburg, Maryland, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Emmitsburg, Maryland's basic financial statements, and have issued our report thereon dated November 15, 2017.

Internal Control over Financial Reporting

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

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

Town of Emmitsburg, Maryland
Independent Auditors' Report
Page 2

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

Compliance and Other Matters

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

Purpose of this Report

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

DeLeon & Stang

DeLeon and Stang, CPAs and Advisors
Frederick, Maryland
November 15, 2017

