
**VILLAGE OF MARTIN'S
ADDITIONS, MARYLAND**

**Financial Statements,
Supplementary Information
and Report of Independent
Certified Public Accountants**

**For the Years Ended
June 30, 2016 and 2015**



Linton Shafer Warfield & Garrett, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Table of Contents
June 30, 2016 and 2015

DESCRIPTION	EXHIBIT
Report of Independent Certified Public Accountants	
Management's Discussion and Analysis	
Basic Financial Statements	
Government-Wide Financial Statements:	
Statements of Net Position	A-1
Statement of Program Activities	A-2 and A-3
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheets	A-4
Statements of Revenues, Expenditures and Changes in Fund Balances	A-5
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances to the Statements of Program Activities	A-6
Notes to Financial Statements	A-7
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	B-1
Notes to Required Supplementary Information	B-2

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Chairperson and Council of the
Village of Martin's Additions, Maryland

We have audited the accompanying financial statements of the governmental activities and the general fund of the Village of Martin's Additions, Maryland (the Village), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Village of Martin's Additions, Maryland as of June 30, 2016 and 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 inquires 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.

Linton Shafer Warfield & Garrett

Rockville, Maryland
October 25, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Village of Martin's Additions, we offer the Village of Martin's Additions financial statements, this narrative overview and analysis of the financial activities of the Village of Martin's Additions for the fiscal year ended June 30, 2016. We encourage readers to consider the following information.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Village of Martin's Additions exceeded its liabilities and deferred inflows at the close of the fiscal year by \$2,867,377 (net position). Of this amount, \$2,687,697 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$396,605.
- As of the close of the fiscal year, the Village of Martin's Additions governmental funds reported combined ending fund balances of \$2,837,685, an increase of \$424,239 in comparison with the prior year. Approximately 56% of this total amount, \$1,585,918, is available for spending at the government's discretion (unassigned fund balance). Of the remaining balance of \$1,251,767, \$1,767 is nonspendable as it is prepaid expenses and \$1,250,000 is assigned for street and sidewalk improvements and for street lighting projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. (Exhibits A-1, A-2 and A-3) The government-wide financial statements are designed to provide readers with a broad overview of the Village of Martin's Additions finances, in a manner similar to a private-sector business.

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

The statement of program 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements of the Village of Martin's Additions are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Village of Martin's Additions include general government, public works, public safety, and recreation. The government-wide financial statements report only on the Village of Martin's Additions.

Fund financial statements. (Exhibits A-4 and A-5) 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 Village of Martin's Additions, 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 Village of Martin's Additions are governmental funds.

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

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

The Village of Martin's Additions maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of which is considered to be a major fund.

The Village of Martin's Additions adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as one useful indicator of a government's financial position. In the case of the Village of Martin's Additions, assets exceeded liabilities by \$2,867,377 at the close of the most recent fiscal year.

Approximately 6.3% of the Village of Martin's Additions net assets reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Village of Martin's Additions uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Village of Martin's Additions Net Position

	<u>Governmental</u>
Current and other assets	\$ 2,903,801
Capital assets	<u>179,680</u>
Total assets	<u>3,083,481</u>
Deferred Outflows	<u>-</u>
Other liabilities	<u>216,104</u>
Total liabilities	<u>216,104</u>
Deferred Inflows	<u>-</u>
Net Position	<u>\$ 2,867,377</u>
Invested in capital assets	\$ 179,680
Unrestricted	<u>2,687,697</u>
Total net position	<u>\$ 2,867,377</u>

The unrestricted net position of \$2,687,697 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities increased the Village of Martin's Additions net position by \$396,605. Net Expenses increased \$70,064 from FY2015 to FY2016. Total General Revenues increased by \$194,314 from FY2015 to FY2016. There was a large increase in income tax revenue of \$68,723. A large portion of this was related to a misallocation of income tax revenues to the Village by the County in prior years that was collected during fiscal year 2016.

Village of Martin's Additions Changes in Net Position

	Governmental <u>Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ 7,525
Operating grants and contributions	30,720
General revenues:	
Taxes	966,963
Other	<u>42,924</u>
Total Revenues	<u>1,009,887</u>
Expenses:	
General government	319,179
Building & Zoning	60,295
Public works	217,199
Public safety	33,841
Recreation	<u>21,013</u>
Total Expenses	<u>651,527</u>
Increase in net position	396,605
Net position, July 1, 2015	<u>2,470,772</u>
Net position, June 30, 2016	<u><u>\$ 2,867,377</u></u>

Taxes of \$966,963 comprised 96% of the total revenues of \$1,009,887. This balance is comprised of property and income taxes.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The Village of Martin's Additions uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Governmental funds. The focus of the Village of Martin's Additions governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village of Martin's Additions financing requirements.

Total revenue was \$1,068,980. This was a \$69,882 increase from FY2015. This increase was mainly the result of an increase in income tax revenue by \$68,723.

Total expenditures for fiscal year 2016 were \$644,741. This was a \$54,084 increase from FY2015. This increase was mainly associated with an increase in legal fees of \$26,113

from fiscal year 2015 to fiscal year 2016. Also, building permit administration and code enforcement costs increased by \$21,564 during the year. Police salaries increased by \$8,559 partially due to an increase in the hourly rate of the police officers from \$45/hour to \$55/hour.

Total fund balance for FY2016 increased by \$424,239. The ending fund balance was \$2,837,685. Of this amount \$1,585,918 is Unassigned and can be used for future plans for the Village.

General fund budgetary highlights. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as County and State grants; and (3) increases in appropriations that become necessary to maintain services. During the fiscal year the Village made amendments that fall into all three of these categories. A detailed analysis of these changes can be found in Exhibit B-1 of the financial statements.

CAPITAL ASSETS

At the end of fiscal year 2016, the Village's governmental activities have invested \$8,646 in office equipment, \$1,381 in leasehold improvements and \$229,144 in infrastructure, as reflected in the following schedule. Total depreciation for the 2016 fiscal year was \$6,786 and accumulated depreciation for all assets was \$59,491. Net capital assets for the Village at the end of the fiscal year was \$179,680.

Governmental Activities - Capital Assets

	<u>Governmental Activities</u>
Non-Depreciable Assets	None
Other Capital Assets	
Infrastructure	229,144
Equipment	8,646
Leasehold Improvements	<u>1,381</u>
Total Capital Assets	239,171
Accumulated Depreciation on Other Capital Assets	<u>(59,491)</u>
Net Capital Assets	<u>\$ 179,680</u>

ECONOMIC FACTORS

Overall, fiscal year 2016 was a positive year. The Village's fund balance increased \$424,239 for an ending fund balance of \$2,837,685. The Village Council maintained a conservative approach in formulating the FY2017 budget to make sure that the Village maintains a healthy financial position into the future.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Village of Martin's Additions finances. Questions concerning any of the information provided in this report of requests for additional financial information should be addressed to the Village Manager of the Village of Martin's Additions, 7013B Brookville Road, Chevy Chase, Maryland, 20815.

Exhibit A-1**VILLAGE OF MARTIN'S ADDITIONS, MARYLAND****Statements of Net Position****June 30,**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
Assets		
Cash and cash equivalents	\$ 336,088	\$ 278,235
Investments	2,559,005	2,192,369
Receivables, net	1,494	377
Due from other governments	5,447	6,122
Prepaid expenses	1,767	12,015
Capital assets, net	<u>179,680</u>	<u>186,466</u>
Total Assets	<u>3,083,481</u>	<u>2,675,584</u>
Deferred Outflows	<u>-</u>	<u>-</u>
Liabilities		
Accounts payable	54,616	53,172
Refundable deposits	11,500	22,500
State tax credit liability	<u>149,988</u>	<u>129,140</u>
Total Liabilities	<u>216,104</u>	<u>204,812</u>
Deferred Inflows	<u>-</u>	<u>-</u>
Net Position		
Invested in capital assets	179,680	186,466
Unrestricted	<u>2,687,697</u>	<u>2,284,306</u>
Total Net Position	<u>\$ 2,867,377</u>	<u>\$ 2,470,772</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Statement of Program Activities
For the Year Ended June 30, 2016

	Expenses	Program Revenue		Net (Expenses) Revenue and Changes in Net Position	Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
Functions/Programs					
Governmental Activities					
General government	\$ 319,179	\$ -	\$ 8,345	\$ (310,834)	\$ (310,834)
Building and zoning	60,295	7,525	-	(52,770)	(52,770)
Public works	217,199	-	22,375	(194,824)	(194,824)
Public safety	33,841	-	-	(33,841)	(33,841)
Recreation	21,013	-	-	(21,013)	(21,013)
Total Governmental Activities	\$ 651,527	\$ 7,525	\$ 30,720	(613,282)	(613,282)
General Revenues					
Property taxes				168,706	168,706
Income taxes				819,105	819,105
Intergovernmental				26,832	26,832
Franchise fees				8,066	8,066
Wynne case refunds				(20,848)	(20,848)
Interest				7,227	7,227
Miscellaneous				799	799
Total General Revenues				1,009,887	1,009,887
Change in Net Position				396,605	396,605
Net Position, Beginning of Year				2,470,772	2,470,772
Net Position, End of Year				\$ 2,867,377	\$ 2,867,377

The accompanying notes are an integral part of this statement.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Statement of Program Activities
For the Year Ended June 30, 2015

Functions/Programs	Program Revenue			Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General government	\$ 307,359	\$ -	\$ 7,683	\$ (299,676)
Building and zoning	38,732	26,298	-	(12,434)
Public works	212,664	-	19,478	(193,186)
Public safety	22,513	926	-	(21,587)
Recreation	16,335	-	-	(16,335)
Total Governmental Activities	\$ 597,603	\$ 27,224	\$ 27,161	(543,218)
General Revenues				
Property taxes				163,647
Income taxes				750,382
Intergovernmental				26,832
Wynne case refunds				(129,140)
Interest				3,852
Total General Revenues				815,573
Change in Net Position				272,355
Net Position, Beginning of Year				2,198,417
Net Position, End of Year				\$ 2,470,772

The accompanying notes are an integral part of this statement.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Balance Sheets
Governmental Funds

June 30,

	2016 General Fund	2015 General Fund
Assets		
Cash and cash equivalents	\$ 336,088	\$ 278,235
Investments	2,559,005	2,192,369
Receivables, net	1,494	377
Due from other governments	5,447	6,122
Prepaid expenses	1,767	12,015
Total Assets	<u>2,903,801</u>	<u>2,489,118</u>
Deferred Outflows	<u>-</u>	<u>-</u>
Liabilities		
Accounts payable	54,616	53,172
Refundable deposits	11,500	22,500
Total Liabilities	<u>66,116</u>	<u>75,672</u>
Deferred Inflows	<u>-</u>	<u>-</u>
Fund Balances		
Nonspendable	1,767	12,015
Assigned	1,250,000	1,000,000
Unassigned	1,585,918	1,401,431
Total Fund Balances	<u>\$ 2,837,685</u>	<u>\$ 2,413,446</u>
Reconciliation of Total Governmental Fund Balances To Net Position of the Governmental Activities		
Total Governmental Fund Balances	\$ 2,837,685	\$ 2,413,446
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Property tax inflow for taxes to be paid to the State that are not available to pay for current-period expenditures deferred in the funds	(149,988)	(129,140)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	179,680	186,466
Net Position of Governmental Activities	<u>\$ 2,867,377</u>	<u>\$ 2,470,772</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Statements of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Years Ended June 30,

	2016	2015
	General	General
	Fund	Fund
Revenues		
Property taxes	\$ 168,706	\$ 163,647
Taxes - state shared	819,105	750,382
Licenses and permits	15,591	26,298
Intergovernmental	49,207	46,310
Miscellaneous	<u>16,371</u>	<u>12,461</u>
Total Revenues	<u>1,068,980</u>	<u>999,098</u>
Expenditures		
General government	378,417	344,875
Public works	211,470	206,934
Public safety	33,841	22,513
Recreation	<u>21,013</u>	<u>16,335</u>
Total Expenditures	<u>644,741</u>	<u>590,657</u>
Excess of Revenues Over Expenditures	424,239	408,441
Fund Balance - Beginning of Year	<u>2,413,446</u>	<u>2,005,005</u>
Fund Balance - End of Year	<u><u>\$ 2,837,685</u></u>	<u><u>\$ 2,413,446</u></u>

The accompanying notes are an integral part of these statements.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Reconciliation of the Statements of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statements of Program Activities
For the Years Ended June 30,

	<u>2016</u>	<u>2015</u>
Net Change in Fund Balance - Total Governmental Funds	\$ 424,239	\$ 408,441
Amounts reported for governmental activities in the Statement of Program Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Program Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation does (does not) exceed capital outlay in the current period.		
	(6,786)	(6,946)
In the Statement of Program Activities the amount due to the State for the state tax credits from the Wynne Case was an estimate and changes from year to year depending on the claims submitted.		
	<u>(20,848)</u>	<u>(129,140)</u>
Net Change in Net Position	<u>\$ 396,605</u>	<u>\$ 272,355</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Village of Martin's Additions (the Village) was incorporated in 1985 under the laws of the State of Maryland. The Village operates under a Council form of government consisting of a Council Chairperson and Village Council. The Village Council has the authority to appoint a Village Manager who shall be responsible for the day-to-day operations of the Village government and for carrying out the policies determined and approved by the Village government. The Village provides the following services as authorized by its charter: public safety (traffic), streets, sanitation, building permits and general administration services. The basic financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The Village has implemented accounting and financial reporting requirements of GASB Statements No. 34, Basic Financial Statements and Management's Discussion and Analysis for States and Local Governments. GASB Statement No. 34 adds the following components to the financial statements:

Management's Discussion and Analysis – A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements – These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Position and the Statement of Program Activities.

Statement of Net Position – The Statement of Net Position displays the financial position of the Village. All assets, deferred outflows, liabilities and deferred inflows of resources associated with the operation of the Village are included on the Statement of Net Position. The net position of a government is broken into three categories –1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities – The Statement of Program Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants.)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Village and many other governments revise their original budgets over the course of the year for a variety of reasons.

The financial statements were prepared in accordance with GASB Statement No.14, The Financial Reporting Entity, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with the basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Village of Martin's Additions, Maryland. There are no organizations for which the Village is financially accountable and there are no component units of the Village.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Village as a whole) and fund financial statements. The reporting model focus is on both the Village as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary fund. The government-wide financial statements (i.e., the statement of net position and the statement of program activities) report information on all of the activities of the Village. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. The Village has only one governmental fund, the general fund, to account for all activities of the government, and does not have any business type activities or fiduciary activities at this time.

The statement of program activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Reimbursements are reported as reduction to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenue to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest payments which are reported as expenditures in the year due.

Property taxes, franchise fees, utility taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports unearned revenues on its governmental funds balance sheet. Unearned revenues arise from taxes levied in the current year which are for subsequent years' operations. For governmental fund financial statements unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the Village has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

The Village reports the following major governmental funds:

The General Fund – This is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Assets

1. Deposits and Investments

Cash and cash equivalents, which are cash and short-term investments with maturities of three months or less, include cash on hand and demand deposit accounts.

2. Prepaid Expenses

Prepaid expenses record payments to vendors that benefit future reporting periods. Prepaid expenses are similarly reported in government-wide and fund financial statements.

3. Capital Assets

Capital assets, which include equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired prior to July 1, 2004 are not reported in the basic financial statements. As of June 30, 2016 and 2015, \$229,144 of infrastructure has been recorded in these financial statements.

Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Assets (continued)

3. Capital Assets (continued)

Property, plant and equipment of the Village are depreciated using the straight line method over the following estimated useful lives:

Office equipment - 5 to 7 years
Sidewalks and curbs – 40 years
Leasehold improvements – 10 years

4. Property Taxes

Property taxes for the current year were assessed and collected by Montgomery County and subsequently remitted to the Village. Property taxes are assessed on July 1st and are due and payable one half by September 30th and one half by December 31st. All unpaid taxes levied July 1st become delinquent on October 1st and January 1st. The residential real property tax rates for the Village for fiscal years ended June 30, 2016 and 2015 was \$.0472, per \$100 of assessed taxable value. The public utilities tax rates for fiscal years ended June 30, 2016 and 2015 was \$1.45 per \$100 of assessed taxable value. The commercial property tax rates for fiscal years ended June 30, 2016 and 2015 were \$.10 respectively per \$100 of assessed taxable value. The personal property tax rates for fiscal years ended June 30, 2016 and 2015 was \$.50 per \$100 of assessed taxable value. Procedures for the collection of delinquent taxes by Montgomery County are provided for in the laws of Maryland.

5. Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Invested in capital assets – This amount consists of capital assets net of accumulated depreciation and reduces by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Assets (continued)

5. Net Position (continued)

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

6. 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 that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents 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 then. The Village does not have any of this type of item.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents 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 time.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2016 and 2015

Note 2 – Reconciliation of Government-Wide and Fund Financial Statements

- A. Explanation of certain differences between the governmental fund balance and the government-wide statement of net position:

The governmental fund balance sheets include a reconciliation between fund balance – total government funds and net position – governmental activities as reported in the government-wide statements of net position.

Note 3 – Detailed Notes on All Funds

- A. Deposits and Investments

Deposits

State statutes require all deposits be insured by the Federal Deposit Insurance Corporation (FDIC) or fully collateralized.

The Village administration is authorized to invest in those instruments authorized by Maryland Statutes. Cash and cash equivalents, as presented on the balance sheets and statements of net position, includes deposits (cash).

At June 30, 2016 and 2015, the carrying amounts of the Village's deposits were \$336,088 and \$278,235, respectively, and the bank balances totaled \$344,065 and \$302,236 respectively, all of which are insured by Federal Deposit Insurance.

Investments

Investments – Maryland Local Government Investment Pool

The Village is a participant of the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by a single Baltimore-based financial institution, PNC Bank. An MLGIP advisory committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the pool. The MLGIP has an AAAM rating. The fair value of the pool is the same as the value of the pooled shares. At June 30, 2016 and 2015, the Village had \$2,559,005 and \$2,192,369, respectively invested in the Pool.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2016 and 2015

Note 3 – Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investment Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Village will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. There are three categories of custodial credit risk. Category 1 includes investments that are insured or registered or where securities are held by the Village or its agents, in the Village's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the Village's name holds the securities. Category 3 includes uninsured and unregistered where the securities are held by the financial institution's trust department or agent, but not in the Village's name. At June 30, 2016 and 2015, all of the Village investments are insured or registered, or for which the securities are held by the Village or its agent in the Village's name or are invested in the MLGIP.

Fair Value

The Village 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 prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Village has the following recurring fair value measurements as of June 30, 2016 and 2015:

- Maryland Local Government Investment Pool mutual funds of \$2,559,005 and \$2,192,369, respectively and are valued using quoted market prices (Level 1 inputs).

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2016 and 2015

Note 3 – Detailed Notes on All Funds (continued)

B. Receivables

Receivables as of June 30, 2016 and 2015 for the Village's individual major and non-major governmental funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>2016</u>	<u>2015</u>
Receivables	\$ 1,494	\$ 377
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>
Total Receivables, net	<u>\$ 1,494</u>	<u>\$ 377</u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Due from other governments represents accrued revenue and consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
General Fund:		
State	\$ 2,478	\$ 3,993
County	<u>2,969</u>	<u>2,129</u>
Total	<u>\$ 5,447</u>	<u>\$ 6,122</u>

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2016 and 2015

Note 3 – Detailed Notes on All Funds (continued)

C. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Equipment	\$ 8,646	\$ -	\$ -	\$ 8,646
Leasehold improvements	1,381	-	-	1,381
Infrastructure	229,144	-	-	229,144
Total capital assets being depreciated	239,171	-	-	239,171
Less accumulated depreciation for:				
Equipment	(6,163)	(920)	-	(7,083)
Leasehold improvements	(1,243)	(138)	-	(1,381)
Infrastructure	(45,299)	(5,728)	-	(51,027)
Total accumulated depreciation	(52,705)	(6,786)	-	(59,491)
Total capital assets, being depreciated, net	186,466	(6,786)	-	179,680
Governmental activities capital assets, net	<u>\$ 186,466</u>	<u>\$ (6,786)</u>	<u>\$ -</u>	<u>\$ 179,680</u>

Depreciation expense was charged to function/programs of the primary government as follows:

	<u>2016</u>	<u>2015</u>
Governmental activities		
General government	\$1,057	\$ 1,217
Public works	5,729	5,729
Total Depreciation Expense	<u>\$ 6,786</u>	<u>\$ 6,946</u>

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2016 and 2015

Note 3 – Detailed Notes on All Funds (continued)

D. Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable – such as fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable and property held for resale. Prepaid expenses of \$1,767 and \$12,015 are classified as nonspendable at June 30, 2016 and 2015.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. The Village has no restricted fund balances.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the Village of Martin's Additions. The Village has no committed fund balances.

Assigned fund balance – includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

The Village has the following assigned fund balances at June 30:

	<u>2016</u>	<u>2015</u>
Street/sidewalk improvements	\$ 750,000	\$ 500,000
Street lighting	<u>500,000</u>	<u>500,000</u>
Total Assigned Fund Balance	<u>\$1,250,000</u>	<u>\$1,000,000</u>

Unassigned fund balance – is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2016 and 2015

Note 3 – Detailed Notes on All Funds (continued)

D. Fund Balance (continued)

Order of Fund Balance Spending Policy

The Village's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year.

First non-spendable fund balance is determined. Then restricted fund balances for specific purposes are determined, followed by committed fund balance and assigned fund balance. Unassigned fund balance cannot fall to a negative balance.

Note 4 – Commitment and Contingencies

A. Risk Management

The Village 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 Village's general liability risks are financed through participation in the Local Government Insurance Trust which is a self-insurance pool. The Village paid annual premiums of approximately \$4,688 and \$5,017 for the fiscal years ended June 30, 2016 and 2015, respectively to the pool for its general, auto, worker's compensation, public official bond and property insurance coverage. Claims over the past three years have been significantly less than that amount.

The agreement with the pool provides that it will be self-sustaining through member premiums, and will reinsure through commercial companies for claims in excess of \$500,000 in aggregate. Settled claims resulting from these risks have not exceeded insurance coverage, and no significant reductions in insurance coverage have occurred, in any of the past three years.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2016 and 2015

Note 4 – Commitment and Contingencies (continued)

B. Office Lease Commitment

In 2006, the Village entered into a lease for office space under an agreement that expires May 1, 2026. Base rent per the agreement is \$1,979 per month with various increases throughout the lease. Current monthly rent expense is \$2,191. The lease has the option to renew for an additional 10 year period. Total rent expense for the fiscal years ended June 30, 2016 and 2015 was \$28,561 and \$27,745, respectively. The minimum lease payments are as follows:

For the Fiscal Year Ending:

2017	\$ 26,288
2018	26,288
2019	26,288
2020	26,288
2021	26,571

C. Employee's Pension Plan

In 2010, the Village adopted a 457 retirement plan. This plan allows employees to contribute to the plan and the Village contributes 1% of each qualified employee's salary. To be qualified an employee has to have six months of service with the Village and be at least 18 years of age. After the qualification requirements have been met, each employee becomes fully vested after 5 years. Employee contributions are 100% vested. During the fiscal years ended June 30, 2016 and 2015, the Village contributed \$1,272 and \$4,800, respectively, to the plan.

Note 5 – Wynne Case

Maryland's individual income tax is composed of a state and a local rate. Maryland residents are allowed a credit for taxes paid to other states, but the credit is allowed against only the state portion of the tax and not against the local tax portion. The U.S. Supreme Court ruled this practice to be unconstitutional because it results in double taxation of income earned outside of Maryland. As a result, the State of Maryland is requiring Maryland local governments to refund the estimated portion of income tax paid to the local governments in previous years, consisting of the local portion of the tax, that the state may have to re-pay taxpayers that file amended returns claiming a refund for the credit applicable to the local tax rate. The Town's estimated obligation for State taxes to be refunded to the State as of June 30, 2016 and 2015 of \$149,988 and \$129,140, respectively are recorded in the liabilities section of the Statements of Net Position. This amount will be repaid to the State over nine quarters beginning May 2019.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Financial Statements
June 30, 2016 and 2015

Note 6 – Implementation of new accounting principle

GASB has issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques.

Note 7 – State Income Tax Reallocation

A recent independent audit of the State tax returns assigned to Montgomery County and the municipal corporations/jurisdictions within its borders was performed to review location coding assignments for tax years 2010-2014. The results of the audit concluded that the Village did not receive \$257,019 of State income tax payments that it was entitled to. This amount was remitted to the Village in FY16.

Note 8 - Subsequent Events

Management has evaluated subsequent events through October 25, 2016, the date that the financials statements were available to be issued. There were no significant events to report.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amount Original</u>	<u>Budgeted Amount Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Taxes				
Local				
Real property tax	\$ 145,000	\$ 150,000	\$ 151,357	\$ 1,357
Utility tax	12,300	12,300	13,819	1,519
Personal property, ordinary business tax	5,000	6,000	3,530	(2,470)
Total Taxes - Local	162,300	168,300	168,706	406
Prior year additions/abatements	-	-	-	-
Total Taxes - Local - Net	162,300	168,300	168,706	406
State Shared				
Income tax	600,000	600,000	819,105	219,105
Total Taxes - State Shared	600,000	600,000	819,105	219,105
Total Taxes	762,300	768,300	987,811	219,511
Licenses and Permits				
Permit fees	20,000	20,000	7,525	(12,475)
Cable T.V. franchise tax	8,000	8,000	8,066	66
Total Licenses and Permits	28,000	28,000	15,591	(12,409)
Intergovernmental Revenues				
State highway user	20,000	22,300	22,375	75
County revenue sharing	26,800	26,800	26,832	32
Total Intergovernmental Revenues	\$ 46,800	\$ 49,100	\$ 49,207	\$ 107

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

	Budgeted Amount <u>Original</u>	Budgeted Amount <u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Miscellaneous				
Other	\$ 100	\$ -	\$ 799	\$ 799
Interest	4,000	4,000	7,227	3,227
Holiday fund	<u>6,500</u>	<u>8,345</u>	<u>8,345</u>	<u>-</u>
Total Miscellaneous	<u>10,600</u>	<u>12,345</u>	<u>16,371</u>	<u>4,026</u>
 Total Revenues	 <u>\$ 847,700</u>	 <u>\$ 857,745</u>	 <u>\$ 1,068,980</u>	 <u>\$ 211,235</u>

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

Expenditures	Budgeted Amount <u>Original</u>	Budgeted Amount <u>Final</u>	Actual <u>Amounts</u>	Variance with Final Budget Positive (Negative)
General Government				
Financial Administration				
Administrative salaries	\$ 132,000	\$ 120,000	\$ 105,865	\$ 14,135
Payroll taxes and benefits	23,000	23,000	11,122	11,878
Accounting and auditing	35,000	35,000	34,600	400
Legal	40,000	80,500	80,589	(89)
Dues and subscriptions	10,000	10,000	6,741	3,259
Office lease	30,000	30,000	28,561	1,439
Office expenses	15,000	18,000	15,876	2,124
Office furniture and equipment	3,000	3,000	2,477	523
Telephone	4,500	3,000	3,296	(296)
Storage rental	4,500	3,000	2,643	357
Printing and mailing	10,000	5,000	3,765	1,235
Insurance	6,500	5,000	4,688	312
Website	2,000	1,500	804	696
Total Financial Administration	<u>315,500</u>	<u>337,000</u>	<u>301,027</u>	<u>35,973</u>
Other General Government				
Building review and permits	20,000	46,450	41,875	4,575
Enforcement and oversight	40,000	12,000	18,420	(6,420)
Municipal operations	-	20,000	8,750	11,250
Lighting consultant	8,000	-	-	-
Records retention and disposal	2,500	-	-	-
Holiday fund	6,500	8,345	8,345	-
Total Other General Government	<u>77,000</u>	<u>86,795</u>	<u>77,390</u>	<u>9,405</u>
Total General Government				
Expenditures	<u>\$ 392,500</u>	<u>\$ 423,795</u>	<u>\$ 378,417</u>	<u>\$ 45,378</u>

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

	<u>Budgeted Amount Original</u>	<u>Budgeted Amount Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public Works				
Highways and Streets				
Street lighting	\$ 16,000	\$ 16,000	\$ 14,513	\$ 1,487
Street light study	-	-	3,527	(3,527)
Tree maintenance	40,000	35,000	30,370	4,630
Tree replacement	8,000	3,000	2,780	220
Street cleaning	12,000	27,520	22,264	5,256
Street maintenance - other	40,000	15,000	3,794	11,206
Right-of-way maintenance	6,000	6,000	6,862	(862)
Snow removal - plowing	15,000	40,000	22,536	17,464
Snow removal - shoveling	10,000	5,000	3,455	1,545
Total Highway and Streets	<u>147,000</u>	<u>147,520</u>	<u>110,101</u>	<u>37,419</u>
Designated Funds				
Designated Street	500,000	500,000	-	500,000
Designated Sidewalk	250,000	250,000	-	250,000
Designated Street Lighting	500,000	500,000	3,816	496,184
Total Designated Funds	<u>1,250,000</u>	<u>1,250,000</u>	<u>3,816</u>	<u>1,246,184</u>
Sanitation and Waste Removal				
Waste collection and recycling	90,000	85,000	83,275	1,725
Leaf bags	10,000	14,000	13,730	270
Recycling bins	5,000	1,000	548	452
Total Sanitation & Waste Removal	<u>105,000</u>	<u>100,000</u>	<u>97,553</u>	<u>2,447</u>
Total Public Works	<u>\$ 1,502,000</u>	<u>\$ 1,497,520</u>	<u>\$ 211,470</u>	<u>\$ 1,286,050</u>

(continued)

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

	Budgeted Amount <u>Original</u>	Budgeted Amount <u>Final</u>	Actual Amounts	Variance with Final Budget Positive (Negative)
Public Safety				
Police	\$ 36,000	\$ 30,000	\$ 31,072	\$ (1,072)
Traffic engineering	<u>3,000</u>	<u>3,000</u>	<u>2,769</u>	<u>231</u>
Total Public Safety	<u>39,000</u>	<u>33,000</u>	<u>33,841</u>	<u>(841)</u>
Recreation				
Community events	<u>25,000</u>	<u>30,000</u>	<u>21,013</u>	<u>8,987</u>
Total Recreation	<u>25,000</u>	<u>30,000</u>	<u>21,013</u>	<u>8,987</u>
Total Expenditures	<u>\$ 1,958,500</u>	<u>\$ 1,984,315</u>	<u>\$ 644,741</u>	<u>\$ 1,339,574</u>

The accompanying notes are an integral part of this schedule.

VILLAGE OF MARTIN'S ADDITIONS, MARYLAND
Notes to Required Supplementary Information
June 30, 2016

Note 1 – Summary of Significant Budget Policies

The Village Council annually adopts a budget for the General Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund. On May 14, 2015, the Village Council approved the original adopted budget for the fiscal year ended June 30, 2016. On June 16, 2016, the Village Council approved the revised budget reflected in the financial statements for the fiscal year ending June 30, 2016.

The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compares the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Note 2 – Material Violations

There were no material violations of the annual appropriated budgets for the General Fund for the fiscal year ended June 30, 2016. In addition, there were no excesses of budgetary expenditures for the period.

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