



City of Taneytown, Maryland

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

For the Year Ended June 30, 2018

**City of Taneytown, Maryland
Summary of Elected and Appointed Officials**

As of June 30, 2018

MAYOR

James L. McCarron, Jr.

CITY COUNCIL

Diane Foster, Mayor Pro Tem

Donald Frazier

Judith Fuller

Joseph Vigliotti

Bradley Wantz

CITY MANAGER

Henry C. Heine, Jr.

ACTING CITY MANAGER

Jim Wieprecht

TREASURER

Barri Avallone

CITY ATTORNEY

Jack A. Gullo, Jr.

City of Taneytown, Maryland
For the Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

**Mayor and City Council
City of Taneytown, 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 City of Taneytown, Maryland, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Taneytown, 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.

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

**City of Taneytown, Maryland
Independent Auditors' Report
Page 2**

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 City of Taneytown, Maryland, as of June 30, 2018, 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 36 – 43 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 October 9, 2018, on our consideration of the City of Taneytown, 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 City of Taneytown, Maryland's internal control over financial reporting and compliance.

DeLeon & Stang

**DeLeon and Stang, CPAs and Advisors
Frederick, Maryland
October 9, 2018**



CITY OF TANEYTOWN, MARYLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Taneytown ("the City") offers readers the following narrative overview and analysis of the financial statements and activities of the City for the fiscal year ended June 30, 2018, which includes a comparison with the prior year.

A feature of this year's financial picture is the continued implementation of GASB 65 – refunding of debt and GASB 68 – accounting and reporting for pensions. The statement of net position will continue to show deferred outflows and inflows of resources affecting the total net position.

In addition, the City has continued its ongoing program to replace and upgrade deteriorated and substandard infrastructure such as water and sewer.

FINANCIAL HIGHLIGHTS:

1. The City's government-wide net position increased \$167,180 in fiscal year 2018 as compared to an increase of \$312,848 in fiscal year 2017.
2. The assets of the City exceeded its liabilities as of June 30, 2018 as noted below:

Governmental Activities: \$7,656,636 (up \$29,379 from last year)
Business-Type Activities: \$14,822,734 (up \$137,801 from last year)

Of the total net position, \$6,700,562 is unrestricted; \$25,570 is restricted for WWTP loan reserve; \$3,024,587 is restricted for future utility capital infrastructure and \$12,728,651 is invested in capital assets, net of related debt.

3. Total governmental and business-type capital assets, net were \$5,606,252 and \$21,570,281 respectively.
4. The City's total liabilities as of June 30, 2018 were \$17,494,032 (down \$1,274,503 from last year). Of that amount \$14,447,882 are debt obligations. Total long-term liabilities for the City as of June 30, 2018 were \$16,936,097 (including the net pension liability of \$2,488,215 per GASB 68).
5. As of June 30, 2018, the City's governmental funds reported a combined ending fund balance of \$5,342,905 (up \$89,151 from last year). Of that amount \$4,929,553 is unassigned and available for spending, \$400,525 is committed for Parks – Open Space, and \$6,289 is assigned to Public Safety - Asset Forfeitures and \$6,538 represents remaining lease payments on a non-cancellable lease.
6. As of June 30, 2018, the City's revenues were as follows: General Fund \$4,006,757 (up \$111,114 or 2.9% from last year) and Enterprise Fund \$3,105,151 (down \$383,584 or 11% from last year). Enterprise Fund revenues have decreased due to a 5% water and sewer billing rate reduction for FY18.

CITY OF TANEYTOWN, MARYLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

7. As of June 30, 2018, the City's expenditures were as follows: General Fund \$3,917,606 (down \$121,627 or 3% from last year) and Enterprise Fund \$2,967,350 (down \$22,008 or < 1% from last year).
8. As of June 30, 2018, the City's deferred outflows were as follows: Governmental activities \$751,774 and Business-type activities \$375,139. Within the governmental activities, deferred outflows consisted of the 2018 pension contributions and changes in actuarial assumptions related to the pension plans. In the business-type activities, deferred outflows also included costs associated with debt refunding (\$291,428) that are required to be amortized.
9. As of June 30, 2018, the City's deferred inflows were as follows: Governmental activities \$276,462 and Business-type activities \$62,660. Within the governmental activities and business-type activities, deferred inflows were identified as the difference between the projected and actual investment earnings on pension plan investments.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The discussion and analysis are intended to serve as an introduction to the City of Taneytown's basic financial statements. The City of Taneytown'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 City of Taneytown's finances, in a manner similar to a Private-sector business.

The statement of net position presents information on all of the City's 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 City 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 City 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 City include general government (legislative, executive, financial administration, legal, planning and zoning, general services), public safety, public works, parks, recreation, and culture, economic development and other charges. The major business-type activities of the City include water and sewer utilities.

CITY OF TANEYTOWN, MARYLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements include only the City of Taneytown itself (known as the primary government) and are on pages 9 and 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 City, 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 City can be divided into two (2) categories: governmental funds and proprietary funds.

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

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

The city adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget on pages 36 – 39 of this report.

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

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

The basic proprietary fund 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 are on pages 18 – 35 of this report.

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

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

**CITY OF TANEYTOWN, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table summarizes revenues and expenses for the governmental activities of the City and totals for the government overall.

	Governmental Activities		Total Government	
	2017	2018	2017	2018
REVENUES				
Program Revenues				
Operating grants and contributions	\$ 320,157	\$ 323,256	320,157	323,256
Charges for services	211,215	208,815	3,546,081	3,102,991
Capital grants and contributions	37,994	39,630	-6,886	39,630
General Revenues				
Taxes	2,917,957	3,019,704	2,917,957	3,019,704
Intergovernmental	345,727	348,418	345,727	348,418
Interest	17,927	45,752	50,775	132,450
Miscellaneous	42,516	18,982	51,025	24,821
Rental Income	2,150	2,200	114,662	120,638
TOTAL REVENUES	<u>3,895,643</u>	<u>4,006,757</u>	<u>7,339,498</u>	<u>7,111,908</u>
PROGRAM EXPENSES				
General government	753,143	802,709	753,143	802,709
Public safety	1,653,518	1,624,191	1,653,518	1,624,191
Public works	1,101,366	1,086,487	1,101,366	1,086,487
Recreation and culture	329,829	294,193	329,829	294,193
Economic development	149,006	121,843	149,006	121,843
Interest	50,430	47,955	50,430	47,955
Business-type activities	-	-	2,989,358	2,967,350
TOTAL PROGRAM EXPENSES	<u>4,037,292</u>	<u>3,977,378</u>	<u>7,026,650</u>	<u>6,944,728</u>
CHANGE IN NET POSITION	<u>\$ (141,649)</u>	<u>\$ 29,379</u>	<u>\$ 312,848</u>	<u>\$ 167,180</u>

General Fund Budget Variances

During FY 2018, the Mayor and City Council publicly amended the budget in June 2017 (Ordinance No. 09-2017) and again in August (Ordinance No. 12-2017). At year's end, actual revenues were \$289,473 more than was budgeted. More specifically, local property taxes were \$56,818 more than expected as a result of conservative budget estimates, local income taxes were \$112,988 more than expected, local taxes, licenses and permits were \$18,889 more than the budgeted amount, intergovernmental revenues were \$12,502 more than budgeted from various sources, and \$88,276 in service charges, fines and forfeitures, and miscellaneous revenues.

CITY OF TANEYTOWN, MARYLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

Actual General Fund expenditures were \$3,917,606 which is \$627,456 less than budgeted, due to Capital Projects deferred to the next fiscal year.

Budget Fiscal Year 2019

Replacement and upgrades to deteriorated and substandard infrastructure will continue to be a high priority for the City. The City will seek grant funding to the greatest extent possible, when available.

Management will continue an annual analysis and maintenance report/schedule for all public infrastructure so that the City can properly budget and repair all its infrastructure, buildings, vehicles, and equipment. Major equipment purchases and construction projects that will continue or begin in the next fiscal year include:

General Fund

- Public Works: Street light upgrades, Stormwater/Bridge Project
- Public Safety: Police vehicle replacements (2)
- Parks, Recreation, and Culture: Gazebo, Bollinger Park development

Enterprise Fund

- Water: No Capital Projects budgeted
- Sewer: No Capital Projects budgeted

The **General Fund** is expected to experience an increase in property tax receipts a result of the City maintaining its real property tax rate at .37 cent per \$100 of assessed value which was not exempt from the constant yield tax rate provision. This rate is higher than the 0.3576 constant yield tax rate and is based on Ordinance No. 02-2018.

The City will continue to receive the following grants in the general fund for FY 2019: Highway User Revenue (HUR) Grant, One-time Capital Grant, and State Aid for Police Protection Grant.

Approved budget for fiscal year 2019 General Fund Revenue was \$4,867,710 and Expenditures \$4,867,710 per Ordinance No. 01-2018.

The **Enterprise Fund** will maintain previous water and sewer rates for FY 2019. The water rate will be \$7.42 per every 1,000 gallons and the sewer rate will be at \$14.24 per every 1,000 gallons. The rate was decreased in FY18, due to the effective management of the system, reduction in operational costs, increase in the accuracy of the metering system, and modest growth in the City.

Approved budget for fiscal year 2019 Enterprise Fund Revenue was \$2,682,276 and Expenditures of \$2,665,831.

**CITY OF TANEYTOWN, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Request for more information:

This financial report is designed to provide a general overview of the City of Taneytown'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 during business hours to:

City Manager
17 E. Baltimore Street
Taneytown, MD 21787

CITY OF TANEYTOWN, MARYLAND
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,065,363	\$ 5,687,434	\$ 10,752,797
Restricted cash	472,876	25,570	498,446
Taxes receivable	29,693	-	29,693
Due from other agencies	13,281	-	13,281
Due from customers	-	664,166	664,166
Other receivables	36,883	(1,151)	35,732
Prepaid expenses	-	14,963	14,963
Capital assets:			
Land	574,472	182,621	757,093
Buildings and improvements	4,266,629	409,525	4,676,154
Machinery and equipment	2,220,818	1,139,336	3,360,154
Infrastructure	6,085,450	34,961,972	41,047,421
Construction in progress	129,362	30,912	160,275
Total Capital assets	13,276,731	36,724,366	50,001,097
Less: accumulated depreciation	(7,670,479)	(15,154,085)	(22,824,564)
Capital assets, net	5,606,252	21,570,281	27,176,533
Total Assets	11,224,348	27,961,263	39,185,611
Deferred Outflows of Resources	751,774	375,139	1,126,913
Total Assets and Deferred Outflows of Resources	11,976,122	28,336,402	40,312,524
Liabilities			
Accounts payable	146,264	29,052	175,316
Accrued expenses	134,125	179,575	313,700
Developer deposits	68,919	-	68,919
Noncurrent liabilities:			
Bonds and loans due within one year	116,998	710,883	827,881
Bonds and loans due in more than one year	1,254,254	12,365,747	13,620,001
Net pension liability	2,322,464	165,751	2,488,215
Total Liabilities	4,043,024	13,451,008	17,494,032
Deferred Inflows of Resources	276,462	62,660	339,122
Total Liabilities and Deferred Inflows of Resources	4,319,486	13,513,668	17,833,154
Net Position			
Net investment in capital assets	4,235,000	8,493,651	12,728,651
Restricted for specific purposes	-	3,050,157	3,050,157
Unrestricted	3,421,636	3,278,926	6,700,562
Total Net Position	\$ 7,656,636	\$ 14,822,734	\$ 22,479,370

The accompanying notes are an integral part of this statement.

CITY OF TANEYTOWN, MARYLAND
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities							
General government	\$ (802,709)	\$ 144,299	\$ -	\$ -	\$ (658,410)	\$ -	\$ (658,410)
Public safety	(1,624,191)	21,992	103,700	-	(1,498,499)	-	(1,498,499)
Public works	(1,086,487)	-	219,556	30,000	(836,931)	-	(836,931)
Parks, recreation, and culture	(294,193)	42,524	-	-	(251,669)	-	(251,669)
Economic development	(121,843)	-	-	9,630	(112,213)	-	(112,213)
Interest expense on long-term debt	(47,955)	-	-	-	(47,955)	-	(47,955)
Total Governmental Activities	<u>(3,977,378)</u>	<u>208,815</u>	<u>323,256</u>	<u>39,630</u>	<u>(3,405,677)</u>	<u>-</u>	<u>(3,405,677)</u>
Business-type Activities							
Utility fund	<u>(2,967,350)</u>	<u>2,894,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73,174)</u>	<u>(73,174)</u>
Total Primary Government	<u>\$ (6,944,728)</u>	<u>\$ 3,102,991</u>	<u>\$ 323,256</u>	<u>\$ 39,630</u>	<u>(3,405,677)</u>	<u>(73,174)</u>	<u>(3,478,851)</u>
General Revenues							
Property taxes					2,348,596	-	2,348,596
Income taxes					665,488	-	665,488
Other local taxes					5,620	-	5,620
County tax distribution					348,418	-	348,418
Rental income					2,200	118,438	120,638
Interest income					45,752	86,698	132,450
Miscellaneous income					18,982	5,839	24,821
Total general revenues					<u>3,435,056</u>	<u>210,975</u>	<u>3,646,031</u>
Change in net position					29,379	137,801	167,180
Net position, beginning of year					<u>7,627,257</u>	<u>14,684,933</u>	<u>22,312,190</u>
Net position, end of year					<u>\$ 7,656,636</u>	<u>\$ 14,822,734</u>	<u>\$ 22,479,370</u>

The accompanying notes are an integral part of this statement.

CITY OF TANEYTOWN, MARYLAND
Balance Sheet
Governmental Fund
June 30, 2018

	General	Total Governmental Fund
Assets		
Cash and cash equivalents	\$ 5,065,363	\$ 5,065,363
Restricted cash	472,876	472,876
Taxes receivable	29,693	29,693
Due from other agencies	13,281	13,281
Other receivables - due from developers	36,883	36,883
Total Assets	\$ 5,618,096	\$ 5,618,096
Liabilities		
Accounts payable	\$ 146,264	\$ 146,264
Accrued salaries	60,008	60,008
Developer deposits	68,919	68,919
Total Liabilities	275,191	275,191
Fund Balance		
Nonspendable	-	-
Restricted	-	-
Committed	400,525	400,525
Assigned	12,827	12,827
Unassigned	4,929,553	4,929,553
Total Fund Balance	5,342,905	5,342,905
Total Liabilities and Fund Balance	\$ 5,618,096	\$ 5,618,096

CITY OF TANEYTOWN, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

	General	Total Governmental Fund
Revenues		
Local property taxes	\$ 2,348,596	\$ 2,348,596
Local income taxes	665,488	665,488
Other local taxes	5,620	5,620
Licenses and permits	114,319	114,319
Intergovernmental revenues	711,304	711,304
Service charges	67,923	67,923
Fines and forfeitures	26,574	26,574
Miscellaneous revenues	66,933	66,933
Total Revenues	4,006,757	4,006,757
Expenditures		
General government	748,927	748,927
Public safety	1,508,675	1,508,675
Public works	1,171,409	1,171,409
Parks, recreation, and culture	206,620	206,620
Economic development	119,338	119,338
Debt service	162,637	162,637
Total Expenditures	3,917,606	3,917,606
Excess of Revenues over Expenditures	89,151	89,151
Fund Balance - July 1, 2017	5,253,754	
Fund Balance - June 30, 2018	\$ 5,342,905	
Adjustments for the Statement of Activities		
Capital outlay		309,199
Depreciation expense		(391,452)
Debt service expenditures		114,539
Change in accrued interest		143
Compensated absences		(9,869)
Net pension adjustment		(82,332)
Change in Net Position of Governmental Activities		\$ 29,379

The accompanying notes are an integral part of this statement.

CITY OF TANEYTOWN, MARYLAND
Reconciliation of Fund Balance to Net Position of Governmental Activities
June 30, 2018

Fund balance - governmental fund	\$	5,342,905
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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 and, therefore, are not reported in the funds:

Capital assets, net		5,606,252
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Deferred outflows of resources		751,774
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued interest payable		(12,909)
Compensated absences		(61,208)
Long-term debt		(1,371,252)
Net pension liability		(2,322,464)

Deferred inflows of resources		<u>(276,462)</u>
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Net position - governmental activities	\$	<u><u>7,656,636</u></u>
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CITY OF TANEYTOWN, MARYLAND
Statement of Net Position
Proprietary Fund
June 30, 2018

	Utility Fund	Total Proprietary Fund
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,687,434	\$ 5,687,434
Restricted cash	25,570	25,570
Due from customers	664,166	664,166
Other receivables	(1,151)	(1,151)
Prepaid expenses	14,963	14,963
Total Current Assets	6,390,982	6,390,982
Capital Assets		
Land	182,621	182,621
Infrastructure	34,961,972	34,961,972
Buildings and improvements	409,525	409,525
Machinery and equipment	1,139,336	1,139,336
Construction in progress	30,912	30,912
Total Capital Assets	36,724,366	36,724,366
Less: accumulated depreciation	(15,154,085)	(15,154,085)
Total Capital Assets, net	21,570,281	21,570,281
Total Assets	27,961,263	27,961,263
Deferred Outflows of Resources	375,139	375,139
Total Assets and Deferred Outflows of Resources	28,336,402	28,336,402
Liabilities		
Current Liabilities		
Accounts payable	29,052	29,052
Accrued expenses	179,575	179,575
Current portion of bond and loans payable	710,883	710,883
Total Current Liabilities	919,510	919,510
Noncurrent Liabilities		
Noncurrent portion of bond and loans payable	12,365,747	12,365,747
Net pension liability	165,751	165,751
Total Noncurrent Liabilities	12,531,498	12,531,498
Total Liabilities	13,451,008	13,451,008
Deferred Inflows of Resources	62,660	62,660
Total Liabilities and Deferred Inflows of Resources	13,513,668	13,513,668
Net Position		
Net investment in capital assets	8,493,651	8,493,651
Restricted for specific purposes	3,050,157	3,050,157
Unrestricted	3,278,926	3,278,926
Total Net Position	\$ 14,822,734	\$ 14,822,734

The accompanying notes are an integral part of this statement.

CITY OF TANEYTOWN, MARYLAND
Statement of Revenues, Expenses, and Change in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Utility Fund	Total Proprietary Fund
Operating Revenues		
Charges for services	\$ 2,894,176	\$ 2,894,176
Rental income	118,438	118,438
Miscellaneous income	5,839	5,839
Total Operating Revenues	3,018,453	3,018,453
 Operating Expenses		
Salaries	453,364	453,364
Professional fees	141,891	141,891
Heat, light, and power	224,385	224,385
Employee benefits	141,485	141,485
Supplies	206,945	206,945
Depreciation	1,215,628	1,215,628
Insurance	34,110	34,110
Maintenance	102,365	102,365
Office	18,764	18,764
Total Operating Expenses	2,538,937	2,538,937
 Operating Income	479,516	479,516
 Nonoperating Revenues (Expenses)		
Interest income	86,698	86,698
Interest expense and fiscal agent fees	(428,413)	(428,413)
Total Nonoperating Revenues (Expenses)	(341,715)	(341,715)
 Net income before capital grants	137,801	137,801
 Capital grants	-	-
 Change in Net Position	137,801	137,801
Total Net Position, beginning of year	14,684,933	14,684,933
 Total Net Position, end of year	\$ 14,822,734	\$ 14,822,734

The accompanying notes are an integral part of this statement.

CITY OF TANEYTOWN, MARYLAND
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Fund
	Utility Fund
Cash Flows from Operating Activities	
Cash receipts from customers	\$ 2,895,282
Cash receipts from rental income	118,438
Cash receipts - miscellaneous	2,096
Cash payments to suppliers for goods and services	(997,403)
Cash payments to employees for services	(468,803)
Net cash provided by operating activities	1,549,610
 Cash Flows from Capital and Related Financing Activities	
Principal paid on loans payable	(693,025)
Acquisition and construction of capital assets	(34,652)
Interest paid on capital debt	(405,594)
Net cash used in capital and related financing activities	(1,133,271)
 Cash Flows from Investing Activities	
Interest income	86,698
Net cash provided by investing activities	86,698
Net increase in cash and cash equivalents	503,037
Cash and cash equivalents - beginning of year	5,209,967
Cash and cash equivalents - end of year	\$ 5,713,004

The accompanying notes are an integral part of this statement.

CITY OF TANEYTOWN, MARYLAND
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Utility Fund
Reconciliation of Operating Income to	
Net Cash provided by Operating Activities	
Operating income	\$ 479,516
Depreciation expense	1,215,628
Amortization of premium	(3,743)
Net changes in operating assets and liabilities:	
Customer receivables	1,680
Other receivables	(574)
Prepaid expenses	(7,528)
Accounts payable	(119,885)
Deferred outflows	2,649
Deferred inflows	33,089
Accrued expenses	(3,350)
Net pension liability	(47,872)
Net cash provided by operating activities	\$ 1,549,610
 Non-cash & non-operating expense:	
Amortization of debt refinancing cost	\$ 29,143

CITY OF TANEYTOWN, MARYLAND
Notes to the Financial Statements
June 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Taneytown, Maryland (the City) was incorporated in 1884, pursuant to authority of Article XIE of the Constitution of Maryland and Article 23A of the Annotated Code of Maryland. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. The accompanying basic financial statements conform to accounting principles generally accepted in the United States of America.

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 City.

The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. In accordance with GASB Statement No. 62, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the City has elected not to apply non-GASB pronouncements issued on or after November 30, 1989.

Government-wide and Fund Financial Statements

The City's basic financial statements include both government-wide (based on the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's public safety, public works, recreation and culture, economic development, debt service and general government services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. 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 City, 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 City.

In the fund financial statements, financial transactions and accounts of the City 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 City for the year ended June 30, 2018:

Governmental Fund Types

General Fund – This fund is the City'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 City (i.e., public safety, public works, parks and recreation, 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.

Proprietary Fund Types

Enterprise Fund – The Utility fund accounts for the revenues generated from the charges for distribution of water and charges for sewer services provided to residential and commercial users of the City.

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be "available" when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues as available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. 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 City's enterprise fund 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 non-operating revenues and expenses.

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, the City considers cash on hand, demand deposits, and all highly liquid investments and debt instruments with maturities of three months or less from the date of acquisition to be cash and cash equivalents. In some instances, cash resources of the individual funds are combined to form a pool of cash and investments. Investments are carried at market value in all funds. 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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items. Prepaid items are equally offset by a fund balance reserve which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Receivables

Significant receivables include amounts from customers for utility services and various taxes. These receivables are due within one year. For the year ended June 30, 2018, the City had no allowance for uncollectible accounts.

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 balance sheet. Short-term interfund loans are classified as “interfund receivables/payables”.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an estimated useful life in excess of one year and a cost of \$5,000 or more. 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.

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is provided for over the following estimated useful lives of the assets:

Infrastructure	25 – 50 years
Buildings and Improvements	20 – 40 years
Equipment	5 – 10 years

Budgets and Budgetary Accounting

The City prepares an annual operating budget for the General Fund and Utility Fund on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are subject to amendment during the fiscal year.

Compensated Absences

Full-time employees are eligible for paid annual leave, and all leave time must be earned before being taken. The amount employees accrue is based on their number of continuous service years. Employees will receive all of their unused earned vacation leave upon termination. Vacation leave can be carried over to subsequent calendar years, with a maximum of 80 hours. Employees who do not use their accrued leave by the end of the calendar year shall forfeit all annual leave in excess of 80 hours.

Full-time employees shall accrue four hours of sick leave per pay period. There is no maximum of sick leave that may be carried over to subsequent years. When leaving the employment of the City, the amount of accrued sick leave shall be applied to the employee's years of service under the formula and parameters as provided by the State Retirement System.

The vested annual leave is expensed as incurred in the appropriate funds.

Fund Balance

The City 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

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 City’s highest level of decision-making authority, the Mayor and Council. The City’s committed fund balance consists of open space / park impact fees as of June 30, 2018.

Assigned fund balance – Amounts that are constrained by the City’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 Mayor and Council. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances. The amount of assigned funds is related to police asset forfeitures and the remaining lease obligations on a non-cancelable capital lease.

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 City’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

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, plus any proceeds remaining in cash and investments. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

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.

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 total amount of the City's bank balances were \$11,463,524, the carrying amount of deposits was \$11,250,893, and cash on hand was \$350.

The City maintains deposits at two financial institutions. As of June 30, 2018, all deposits were covered by the Federal Deposit Insurance Corporation and securities held by the pledging financial institution's trust department in the City's name.

The City's cash and cash equivalents as of June 30, 2018, reconciled to the total presented in the Statement of Net Position, are as follows:

	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Cash on hand	\$ 350	\$ -	\$ 350
Bank deposits	<u>5,537,889</u>	<u>5,713,004</u>	<u>11,250,893</u>
	<u>\$ 5,538,239</u>	<u>\$ 5,713,004</u>	<u>\$ 11,251,243</u>

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS
(Continued)

Credit Risk

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

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

- Obligations of U.S. governmental agencies
- Fully collateralized certificates of deposit
- 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

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.

Restricted Cash

Cash is restricted for the following purposes as of June 30, 2018:

	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Developer deposits	\$ 72,351	\$ -	\$ 72,351
Open space/park impact	400,525	-	400,525
Loan reserve fund	-	<u>25,570</u>	<u>25,570</u>
	<u>\$ 472,876</u>	<u>\$ 25,570</u>	<u>\$ 498,446</u>

NOTE 3 PROPERTY TAXES

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

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

NOTE 3 PROPERTY TAXES (Continued)

Property taxes become delinquent on October 1. Interest accrues at 0.5% monthly for delinquent property taxes. Total assessable base on which levies were made for the year ended June 30, 2018, was \$585,317,200 and the property tax rate was \$0.37 per \$100 of assessed value.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

Primary Government:

<u>Governmental Activities:</u>	Balance July 1, 2017	Additions	Dispositions	Transfers	Balance June 30, 2018
Capital assets, not depreciated					
Land	\$ 574,472	\$ -	\$ -	\$ -	\$ 574,472
Construction in progress	125,625	3,737	-	-	129,362
Total capital assets, not depreciated	<u>700,097</u>	<u>3,737</u>	<u>-</u>	<u>-</u>	<u>703,834</u>
Capital assets, depreciated					
Buildings and improvements	4,266,629	-	-	-	4,266,629
Machinery and equipment	2,217,197	90,926	(87,305)	-	2,220,818
Infrastructure	5,870,914	214,536	-	-	6,085,450
Total capital assets, depreciated	12,354,740	305,462	(87,305)	-	12,572,897
Accumulated depreciation	<u>(7,366,332)</u>	<u>(391,452)</u>	<u>87,305</u>	<u>-</u>	<u>(7,670,479)</u>
Governmental activities -					
Capital assets, net	<u>\$ 5,688,505</u>	<u>\$ (82,253)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,606,252</u>

Depreciation expense was charged to each function as follows:

General government	\$ 55,081
Public safety	81,844
Public works	169,873
Parks, recreation, and culture	<u>84,654</u>
	<u>\$ 391,452</u>

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

NOTE 4 CAPITAL ASSETS (Continued)

<u><i>Business-type Activities</i></u>	Balance July 1, 2017	Additions	Dispositions	Transfers	Balance June 30, 2018
Capital assets, not depreciated					
Land	\$ 182,621	\$ -	\$ -	\$ -	\$ 182,621
Construction in progress	91,288	26,884	-	(87,260)	30,912
Total capital assets, not depreciated	<u>273,909</u>	<u>26,884</u>	<u>-</u>	<u>(87,260)</u>	<u>213,533</u>
Capital assets, depreciated					
Buildings and improvements	409,525	-	-	-	409,525
Machinery and equipment	1,131,568	7,768	-	-	1,139,336
Infrastructure	34,874,712	-	-	87,260	34,961,972
Total capital assets, depreciated	36,415,805	7,768	-	87,260	36,510,833
Accumulated depreciation	<u>(13,938,457)</u>	<u>(1,215,628)</u>	<u>-</u>	<u>-</u>	<u>(15,154,085)</u>
Business-type activities					
Capital assets, net	<u>\$22,751,257</u>	<u>\$ (1,180,976)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,570,281</u>

Depreciation expense was charged to each function as follows:

Water services	\$ 387,675
Sewer services	<u>827,953</u>
	<u>\$ 1,215,628</u>

CITY OF TANEYTOWN, MARYLAND
Notes to the Financial Statements
June 30, 2018

NOTE 5 DEBT OBLIGATIONS

Debt outstanding as of June 30, 2018 is as follows for:

Governmental Activities:

<u>Purpose</u>	<u>Rate</u>	<u>Amount</u>
\$400,000 Infrastructure Financing Bonds - 2004 Series A; Due in annual principal installments of \$7,600 - \$23,600 plus semi annual interest payments. The bonds mature on May 1, 2034.	4.6% Avg.	\$ 272,400
\$436,698 2012 Refunding of the General Obligation Bond, Series 2009; Due in annual principal installments of \$17,909 - \$35,297 plus semiannual interest payments. The bonds mature on March 15, 2029.	4.24%	316,914
\$894,783 General Obligations Bonds, 2011 Series A; Due in annual principal installments of \$33,000 - \$138,000, plus semi annual interest payments. The bonds mature on December 1, 2021.	2.75%	666,000
\$333,000 General Obligation Bond, 2011 Series B; Due in annual principal installments of \$34,000 - \$39,000 plus semi annual interest payments. The bond matures on November 1, 2020.	2.50%	<u>115,938</u>
Total governmental activities		<u><u>\$ 1,371,252</u></u>

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

NOTE 5 DEBT OBLIGATIONS (Continued)

Business-type Activities:

<u>Purpose</u>	<u>Rate</u>	<u>Amount</u>
\$5,270,995 Water Quality Bond, Series 1998; semiannual interest payments due and annual principal payments of \$226,956 - \$331,322; annual administrative fee of \$16,191; bond matures on February 1, 2019.	2.35%	\$ 228,956
\$552,110 Water Quality Bond, Series 2001; semiannual interest payments and annual principal payments of \$23,386 - \$31,604; annual administrative fee of \$1,515; bond matures on February 1, 2021.	1.90%	63,966
\$1,186,279 General Obligation Bonds, 2011 Series A; Due in annual principal installments of \$33,000 - \$138,000 plus semiannual interest payments. The bonds mature on December 1, 2021.	2.75%	1,022,000
\$3,206,000 loan for Baltimore Street Water Main Extension; semiannual interest payments and annual principal payments of \$134,843 - \$208,749; annual administrative fee of \$10,323; loan matures on February 1, 2029.	2.50%	2,035,734
\$2,253,000 General Obligation Bonds, York Street Sanitary Sewer Improvements Project, 2012 Series (USDA); Due in quarterly principal and interest installments of \$20,503. The bonds mature on June 28, 2052.	2.00%	2,015,989
\$805,000 Drinking Water Bond, 2012 Series; Due in annual principal installments of \$39,350 - \$45,419 plus semi-annual interest payments. The bond matures on February 1, 2032.	0.80%	604,077
\$6,356,974 Infrastructure Financing Bonds, 2014 Series A-1; Due in annual principal installments of \$111,974 - \$590,000, starting in 2019, plus semiannual interest payments. The bonds mature on May 1, 2032. Includes unamortized bond premium of \$56,151.	3.48% Avg.	6,356,974
\$826,713 Infrastructure Financing Bonds, 2014 Series A-2; Due in annual principal installments of \$26,187 - \$56,000 plus semiannual interest payments. The bonds mature on May 1, 2034.	3.54% Avg.	<u>696,526</u>
Total business-type activities		<u>\$ 13,024,222</u>

Debt service requirements are as follows:

	<u>Principal</u>	<u>Interest & Fees</u>	<u>Total</u>
2019	\$ 827,880	\$ 435,360	\$ 1,263,240
2020	853,764	400,571	1,254,335
2021	883,359	381,789	1,265,148
2022	871,360	359,874	1,231,234
2023	896,120	338,057	1,234,177
2024-2028	4,859,278	1,308,787	6,168,065
2029-2033	3,833,471	507,784	4,341,255
2034-2038	373,885	120,164	494,049
2039-2043	325,208	84,852	410,060
2044-2048	359,380	50,680	410,060
2049-2053	311,768	16,063	327,831

CITY OF TANEYTOWN, MARYLAND**Notes to the Financial Statements****June 30, 2018****NOTE 5 DEBT OBLIGATIONS (Continued)****Changes in Non-Current Liabilities**

During the year ended June 30, 2018, the following changes in debt obligations occurred:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>Due within One year</u>
Bonds 2004, Series A	\$ 283,800	\$ -	\$ (11,400)	\$ 272,400	\$ 11,900
Bonds 2012 Refunding	339,053	-	(22,139)	316,914	23,098
Bonds 2011, Series B	152,938	-	(37,000)	115,938	43,000
Bonds 2011, Series A	1,787,000	-	(99,000)	1,688,000	96,000
USDA 2012	2,057,534	-	(41,545)	2,015,989	41,888
MWQFA WTP/BNR upgrade	560,278	-	(331,322)	228,956	228,956
Sewer interceptor bond	94,403	-	(30,437)	63,966	31,015
Baltimore St. Water Main Ext.	2,194,831	-	(159,097)	2,035,734	163,074
Drinking Water Bond	644,701	-	(40,624)	604,077	40,949
2014 Series A-1 Bonds	6,356,974	-	-	6,356,974	111,974
2014 Series A-2 Bonds	731,526	-	(35,000)	696,526	36,026
Total debt obligations	<u>\$ 15,203,038</u>	<u>\$ -</u>	<u>\$ (807,564)</u>	<u>\$ 14,395,474</u>	<u>\$ 827,880</u>
Unamortized bond premium				52,408	
Total carrying value of debt obligations				<u>\$ 14,447,882</u>	

As of June 30, 2018, the current debt obligations are recorded as follows:

Governmental activities	\$ 116,998
Business-type activities	<u>710,882</u>
Total current obligations	<u>\$ 827,880</u>

Interest Expense

For the year ended June 30, 2018, total interest costs were \$590,950 and reported as follows: interest expense of \$47,955 for governmental activities and \$428,413 for business-type activities. Cash paid for interest for business-type activities was \$405,594.

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

NOTE 6 PENSION BENEFITS

Cost-sharing Multiple Employer Pension Plan:

Plan description

All permanent employees of the City who are expected to work at least 500 hours in the fiscal year are provided retirement benefits through the Maryland State Retirement and Pension System through two separate plans: Employee's Contributory Pension System ("Pension System") and the Law Enforcement Officers Pension System (LEOPS).

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 with two years of service.

LEOPS provides retirement allowances and other benefits for State and local law enforcement officers. This system includes both retirement plan and pension plan provisions which are applicable to separate portions of the State System's membership. The retirement plan provisions are applicable to those members who, on the date they elected to participate in LEOPS, were members of the Employees' Retirement System. The State System's pension plan provisions are applicable to all other participating law enforcement officers.

A member of LEOPS is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age.

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

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

Funding policy

Obligations to contribute to the plans were established under Titles 22 and 23 of the State Personnel and Pensions Article of the Maryland Code.

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

NOTE 6 **PENSION BENEFITS** (Continued)

Members of the Pension System contribute 2% of their gross employee compensation and members of LEOPS contribute 7%. The total contributions from the employees for the fiscal years ended June 30 were as follows:

2018	\$ 68,400
2017	64,760
2016	63,567
2015	60,691
2014	58,509
2013	55,170
2012	49,335

The City also contributed to the System, in amounts equal to 100% of the required contributions for both Plans. The amounts contributed for the years ended June 30 were as follows:

2018	\$ 238,930
2017	234,205
2016	230,745
2015	232,333
2014	217,818
2013	188,155
2012	216,705

Total pension expense for the year ended June 30, 2018 was \$309,127; \$283,672 for governmental activities and \$25,455 for business-type activities.

Key actuarial methods and assumptions:

Actuarial	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Inflation	2.65% general, 3.15% wage
Salary increases	3.15% to 9.15% including inflation
Discount rate	7.5%
Investment rate of return	7.5%
Mortality	RP-2014 Mortality tables
Actuarial valuation date	June 30, 2017

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

NOTE 6 PENSION BENEFITS (Continued)

Discount rate

A single discount rate of 7.5% 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 7.5%. 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 7.5%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate of 1-percentage-point lower or 1-percentage-point higher:

System:	1% decrease 6.50%	NPL at 7.50%	1% increase 8.50%
Employees' Pension	\$ 933,652	\$ 685,116	\$ 477,336
LEOPS	2,488,457	1,803,103	1,247,642
	<u>\$ 3,422,109</u>	<u>\$ 2,488,219</u>	<u>\$ 1,724,978</u>

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

NOTE 7 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

For the year ended June 30, 2018, the City reported deferred outflows and inflows of resources related to the following sources:

	Deferred Outflows of	Deferred Inflows of Resources
Changes of pension assumptions	\$ 71,141	\$ -
Difference between actual and expected experience		\$ 143,136
Net difference between projected and actual earnings on pension plan investments	131,191	
Change in proportionate share	294,815	96,572
City contributions subsequent to the measurement date	<u>238,930</u>	<u>-</u>
	736,077	<u>\$ 239,708</u>
Other deferred outflows:		
Unamortized cost related to debt refunding	<u>291,428</u>	
	<u>\$ 1,027,505</u>	

Deferred outflows of resources of \$238,930 related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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:

2019	\$101,091
2020	132,602
2021	83,534
2022	(32,987)
2023	<u>(26,801)</u>
	<u>\$ 257,439</u>

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 City 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 City's federal grant expenditures were less than \$750,000; therefore, they were not subject to the Single Audit Act for fiscal year 2018.

CITY OF TANEYTOWN, MARYLAND

Notes to the Financial Statements

June 30, 2018

NOTE 9 LEASE OBLIGATIONS

In October 2013, the City entered into a non-cancelable operating lease for equipment. The lease requires monthly lease payments of \$934. The lease term ends in January 2019. Future lease payments are as follows:

2019	6,538
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NOTE 10 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 11 RISK MANAGEMENT

The City 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 City purchases commercial insurance coverage for these types of losses, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 RESTRICTED NET POSITION

As of June 30, 2018, restricted net position consists of the following:

WWTP loan reserve	\$ 25,570
Future capital infrastructure	<u>3,024,587</u>
Total	<u>\$ 3,050,157</u>

NOTE 13 SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the Statement of Net Position date through the date that the financial statements are available to be issued. The City performed an evaluation as of October 9, 2018, the date the financial statements were available to be issued. There were no subsequent events that required recording or disclosure in these financial statements.

CITY OF TANEYTOWN, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - General Fund

For the year ended June 30, 2018	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget Positive (Negative)
Local Property Taxes				
Real property	\$ 2,139,878	\$ 2,139,878	\$ 2,197,925	\$ 58,047
Personal property	139,100	139,100	124,565	(14,535)
Penalties and interest	12,800	12,800	26,106	13,306
Total Local Property Taxes	<u>2,291,778</u>	<u>2,291,778</u>	<u>2,348,596</u>	<u>56,818</u>
Local Income Taxes	<u>552,500</u>	<u>552,500</u>	<u>665,488</u>	<u>112,988</u>
Other Local Taxes				
Admissions and amusement taxes	4,950	4,950	5,620	670
Total Other Local Taxes	<u>4,950</u>	<u>4,950</u>	<u>5,620</u>	<u>670</u>
Licenses and Permits				
Alcoholic beverages	2,700	2,700	2,813	113
Trader's licenses	12,900	12,900	11,072	(1,828)
Building permits	2,200	2,200	5,373	3,173
Cable franchise fees	78,100	78,100	94,836	16,736
Other	200	200	225	25
Total Licenses and Permits	<u>96,100</u>	<u>96,100</u>	<u>114,319</u>	<u>18,219</u>
Intergovernmental Revenues				
State aid for police protection	108,257	108,257	103,700	(4,557)
Highway user revenues	212,127	212,127	219,556	7,429
County tax differential	342,420	342,420	343,702	1,282
Financial corporations	1,282	1,282	-	(1,282)
Road levy	4,716	4,716	4,716	-
State grants	30,000	30,000	39,630	9,630
Total Intergovernmental Revenues	<u>698,802</u>	<u>698,802</u>	<u>711,304</u>	<u>12,502</u>
Service Charges				
Zoning fees	2,600	2,600	2,292	(308)
Park impact fees	-	-	34,500	34,500
Non-refundable developer fees	2,500	2,500	7,500	5,000
Public safety charges	8,500	8,500	8,020	(480)
Public parking facilities	6,500	6,500	7,487	987
Recreation charges	7,900	7,900	8,024	124
Other	32	32	100	68
Total Service Charges	<u>28,032</u>	<u>28,032</u>	<u>67,923</u>	<u>39,891</u>

The accompanying notes are an integral part of this statement.

CITY OF TANEYTOWN, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - General Fund

For the year ended June 30, 2018	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget Positive (Negative)
Fines and Forfeitures				
Parking and code enforcement fines	20,700	20,700	26,574	5,874
Total Fines and Forfeitures	<u>20,700</u>	<u>20,700</u>	<u>26,574</u>	<u>5,874</u>
Miscellaneous Revenues				
Interest income	19,222	19,222	45,752	26,530
Rental income	2,200	2,200	2,200	-
Contributions and donations	-	-	5	5
Sale of property (other than tax sale)	3,000	3,000	18,571	15,571
Other	-	-	405	405
Total Miscellaneous Revenues	<u>24,422</u>	<u>24,422</u>	<u>66,933</u>	<u>42,511</u>
Total Revenues	<u>3,717,284</u>	<u>3,717,284</u>	<u>4,006,757</u>	<u>289,473</u>
General Government				
Legislative				
Mayor and Council salaries	13,800	13,800	13,800	-
Fringe benefits	2,084	2,084	1,956	128
Total salaries and fringe benefits	<u>15,884</u>	<u>15,884</u>	<u>15,756</u>	<u>128</u>
Other operating	<u>30,391</u>	<u>30,391</u>	<u>29,563</u>	<u>828</u>
Total Legislative	<u>46,275</u>	<u>46,275</u>	<u>45,319</u>	<u>956</u>
Executive				
City Manager salaries	53,105	53,105	64,292	(11,187)
Fringe benefits	6,518	6,518	18,478	(11,960)
Total salaries and fringe benefits	<u>59,623</u>	<u>59,623</u>	<u>82,770</u>	<u>(23,147)</u>
Other operating	<u>12,715</u>	<u>12,715</u>	<u>11,227</u>	<u>1,488</u>
Total Executive	<u>72,338</u>	<u>72,338</u>	<u>93,997</u>	<u>(21,659)</u>
Financial Administration				
Finance salaries	92,204	92,204	78,822	13,382
Clerk salaries	39,046	39,046	40,063	(1,017)
Fringe benefits	45,631	45,631	32,818	12,813
Total salaries and fringe benefits	<u>176,881</u>	<u>176,881</u>	<u>151,703</u>	<u>25,178</u>
Independent accounting and auditing	18,000	18,000	46,076	(28,076)
Other operating	35,067	35,067	21,847	13,220
Capital outlay	-	-	5,508	(5,508)
Total Financial Administration	<u>229,948</u>	<u>229,948</u>	<u>225,134</u>	<u>4,815</u>
Legal	<u>71,400</u>	<u>71,400</u>	<u>62,233</u>	<u>9,167</u>

The accompanying notes are an integral part of this statement.

CITY OF TANEYTOWN, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - General Fund

For the year ended June 30, 2018	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget Positive (Negative)
Planning and Zoning				
Salaries	49,462	49,462	50,750	(1,288)
Fringe benefits	26,516	26,516	27,731	(1,215)
Total salaries and fringe benefits	<u>75,978</u>	<u>75,978</u>	<u>78,481</u>	<u>(2,503)</u>
Other operating	19,384	19,384	12,370	7,014
Total Planning and Zoning	<u>95,362</u>	<u>95,362</u>	<u>90,851</u>	<u>4,511</u>
General Services				
Municipal Buildings				
Other operating	110,980	110,980	105,514	5,466
Capital outlay	-	-	8,288	(8,288)
Total Municipal Buildings	<u>110,980</u>	<u>110,980</u>	<u>113,802</u>	<u>(2,822)</u>
IT Department				
Salaries	33,678	33,678	40,196	(6,518)
Fringe benefits	11,804	11,804	14,236	(2,432)
Total salaries and fringe benefits	<u>45,482</u>	<u>45,482</u>	<u>54,432</u>	<u>(8,950)</u>
Other operating	68,205	68,205	63,159	5,046
Capital outlay	32,000	32,000	-	32,000
Total IT Department	<u>145,687</u>	<u>145,687</u>	<u>117,591</u>	<u>28,096</u>
Total General Services	<u>256,667</u>	<u>256,667</u>	<u>231,393</u>	<u>25,274</u>
Total General Government	<u>771,990</u>	<u>771,990</u>	<u>748,927</u>	<u>23,064</u>
Public Safety				
Police Department				
Salaries	797,828	894,628	852,256	42,372
Fringe benefits	391,244	424,566	374,977	49,589
Total salaries and fringe benefits	<u>1,189,072</u>	<u>1,319,194</u>	<u>1,227,233</u>	<u>91,961</u>
Other operating	273,631	279,000	244,413	34,587
Capital outlay	65,000	36,283	37,029	(746)
Total Public Safety	<u>1,527,703</u>	<u>1,634,477</u>	<u>1,508,675</u>	<u>125,802</u>
Public Works				
Highways and Streets				
Regular	135,610	135,610	221,505	(85,895)
Fringe benefits	55,995	55,995	59,347	(3,352)
Total salaries and fringe benefits	<u>191,605</u>	<u>191,605</u>	<u>280,852</u>	<u>(89,247)</u>
Other operating	306,383	306,383	247,044	59,339
Capital outlay	335,627	335,627	258,374	77,253
Total Highways and Streets	<u>833,615</u>	<u>833,615</u>	<u>786,270</u>	<u>47,345</u>
Waste collection	500,000	500,000	385,139	114,861
Total Public Works	<u>1,333,615</u>	<u>1,333,615</u>	<u>1,171,409</u>	<u>162,206</u>

The accompanying notes are an integral part of this statement.

CITY OF TANEYTOWN, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - General Fund

For the year ended June 30, 2018	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget Positive (Negative)
Parks, Recreation, and Culture				
Regular	89,771	89,771	67,308	22,463
Fringe benefits	26,235	26,235	19,873	6,362
Total salaries and fringe benefits	116,006	116,006	87,181	28,825
Other operating	135,613	135,613	119,439	16,174
Capital outlay	250,000	250,000	-	250,000
Total Parks, Recreation, and Culture	<u>501,619</u>	<u>501,619</u>	<u>206,620</u>	<u>294,999</u>
Economic Development				
Salaries	48,522	48,522	49,772	(1,250)
Fringe benefits	28,522	28,522	28,234	288
Total salaries and fringe benefits	77,044	77,044	78,006	(962)
Other operating	63,817	63,817	41,332	22,485
Total Economic Development	<u>140,861</u>	<u>140,861</u>	<u>119,338</u>	<u>21,523</u>
Debt Service				
Principal payments	114,539	114,539	114,539	-
Interest payments	47,960	47,960	48,098	(138)
Total Debt Service	<u>162,499</u>	<u>162,499</u>	<u>162,637</u>	<u>(138)</u>
Total Expenditures	<u>4,438,287</u>	<u>4,545,061</u>	<u>3,917,606</u>	<u>627,456</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(721,003)	(827,777)	89,151	916,928
Other Financing Sources (Uses)				
Budgeted use of fund balance	721,003	827,777	-	(827,777)
Total Other Financing Sources (Uses)	<u>721,003</u>	<u>827,777</u>	<u>-</u>	<u>(827,777)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,151</u>	<u>\$ 89,151</u>

The accompanying notes are an integral part of this statement.

CITY OF TANEYTOWN, MARYLAND
Schedule of the City's Proportionate Share of the Net Pension Liability

For the year ended June 30, 2018	Employees' Pension System	Law Enforcement Officers' Pension System	Total
City's proportion of the net pension liability	0.003168357%	0.008338549%	0.011506906%
City's proportionate share of the net pension liability	<u>\$ 685,116</u>	<u>\$ 1,803,103</u>	<u>\$ 2,488,219</u>
Covered-employee payroll	\$ 926,288	\$ 627,423	\$ 1,553,711
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>73.96%</u>	<u>287.38%</u>	<u>160.15%</u>
Plan Fiduciary Net Position as a % of total pension liability			<u>69.38%</u>

CITY OF TANEYTOWN, MARYLAND
Schedule of Contributions and Related Ratios

For the year ended June 30, 2018	Employees' Pension System	Law Enforcement Officers' Pension System	Total
Contractually required contribution	\$ 69,009	\$ 169,921	\$ 238,930
Actual contribution	<u>(69,009)</u>	<u>(169,921)</u>	<u>(238,930)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 926,288	\$ 627,423	\$ 1,553,711
Contributions as a percentage of covered-employee payroll	7.45%	27.08%	15.38%

The accompanying notes are an integral part of this schedule.

CITY OF TANEYTOWN, MARYLAND
Schedule of the City's Proportionate Share of the Net Pension Liability

For the year ended June 30, 2017	Employees' Pension System	Law Enforcement Officers' Pension System	Total
City's proportion of the net pension liability	0.003276261%	0.008568465%	0.011844727%
City's proportionate share of the net pension liability	<u>\$ 773,002</u>	<u>\$ 2,021,646</u>	<u>\$ 2,794,648</u>
Covered-employee payroll	\$ 897,386	\$ 697,193	\$ 1,594,579
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>86.14%</u>	<u>289.97%</u>	<u>175.26%</u>
Plan Fiduciary Net Position as a % of total pension liability			<u>65.79%</u>

CITY OF TANEYTOWN, MARYLAND
Schedule of Contributions and Related Ratios

For the year ended June 30, 2017	Employees' Pension System	Law Enforcement Officers' Pension System	Total
Contractually required contribution	\$ 64,487	\$ 169,718	\$ 234,205
Actual contribution	<u>(64,487)</u>	<u>(169,718)</u>	<u>(234,205)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 897,386	\$ 697,193	\$ 1,594,579
Contributions as a percentage of covered-employee payroll	7.19%	24.34%	14.69%

The accompanying notes are an integral part of this schedule.

CITY OF TANEYTOWN, MARYLAND
Schedule of the City's Proportionate Share of the Net Pension Liability

For the year ended June 30, 2016	Employees' Pension System	Law Enforcement Officers' Pension System	Total
City's proportion of the net pension liability	0.003576500%	0.007446398%	0.011022898%
City's proportionate share of the net pension liability	<u>\$ 743,258</u>	<u>\$ 1,547,489</u>	<u>\$ 2,290,747</u>
Covered-employee payroll	\$ 864,298	\$ 689,996	\$ 1,554,294
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>86.00%</u>	<u>224.28%</u>	<u>147.38%</u>
Plan Fiduciary Net Position as a % of total pension liability			<u>68.78%</u>

CITY OF TANEYTOWN, MARYLAND
Schedule of Contributions and Related Ratios

For the year ended June 30, 2016	Employees' Pension System	Law Enforcement Officers' Pension System	Total
Contractually required contribution	\$ 63,824	\$ 166,921	\$ 230,745
Actual contribution	<u>(63,824)</u>	<u>(166,921)</u>	<u>(230,745)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 864,298	\$ 689,996	\$ 1,554,294
Contributions as a percentage of covered-employee payroll	7.38%	24.19%	14.85%

The accompanying notes are an integral part of this schedule.

CITY OF TANEYTOWN, MARYLAND
Schedule of the City's Proportionate Share of the Net Pension Liability

For the year ended June 30, 2015	Employees' Pension System	Law Enforcement Officers' Pension System	Total
City's proportion of the net pension liability	0.002822655%	0.006524311%	0.009346966%
City's proportionate share of the net pension liability	<u>\$ 500,929</u>	<u>\$ 1,157,852</u>	<u>\$ 1,658,781</u>
Covered-employee payroll	\$ 831,293	\$ 653,911	\$ 1,485,204
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>60.26%</u>	<u>177.07%</u>	<u>111.69%</u>
Plan Fiduciary Net Position as a % of total pension liability			<u>71.87%</u>

CITY OF TANEYTOWN, MARYLAND
Schedule of Contributions and Related Ratios

For the year ended June 30, 2015	Employees' Pension System	Law Enforcement Officers' Pension System	Total
Contractually required contribution	\$ 75,008	\$ 156,950	\$ 231,958
Actual contribution	<u>(75,008)</u>	<u>(156,950)</u>	<u>(231,958)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 831,293	\$ 653,911	\$ 1,485,204
Contributions as a percentage of covered-employee payroll	9.02%	24.00%	15.62%

The accompanying notes are an integral part of this schedule.

**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 City Council
City of Taneytown, 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 City of Taneytown, Maryland, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Taneytown, Maryland's basic financial statements and have issued our report thereon dated October 9, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Taneytown, 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 City of Taneytown, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Taneytown, Maryland's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 City of Taneytown, 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 & Stang, CPAs and Advisors
Frederick, Maryland
October 9, 2018**