
**TOWN OF BROOKEVILLE,
MARYLAND**

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

**For the Years Ended
June 30, 2014 and 2013**

LSWG

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

TOWN OF BROOKEVILLE, MARYLAND
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June 30, 2014 and 2013

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

To the Commissioners of the
Town of Brookeville, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Brookeville, Maryland (the Town), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those 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, each major fund and the aggregate remaining fund information of the Town of Brookeville, Maryland, as of June 30, 2014 and 2013, 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 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 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.

October 23, 2014

Linton Shafer Warfield & Garrett

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Town of Brookeville's Annual Financial Report represents the Town Commissioners' discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2014. It should be read in conjunction with the Town's financial statement that follows this section.

FINANCIAL AND BUDGETARY HIGHLIGHTS

- The tax rate for assessable real property for fiscal year 2014 was \$0.15 and the personal property tax rate was \$0.45. Our Net Assessable Tax Base was \$23,722,213. There was no change to the tax rates enacted by the Town Commissioners from the previous year.
- The assets of the Town of Brookeville exceeded its liabilities at the close of the fiscal year by \$1,058,489 (net position). Of this amount, \$487,584 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The carrying amount of the Town's cash deposits was \$503,956 and the bank balances totaled \$510,980. Governmental fund revenues were \$308,238 and expenditures were \$243,023 for an increase in fund balance of \$65,215.
- Of revenues received, property taxes amounted to \$38,548. State shared taxes derived from income taxes amounted to \$101,272. Intergovernmental revenues through County revenue sharing and State Highway User taxes amounted to \$12,374. License and permit revenue amounted to \$1,669. Grant revenue for the War of 1812 Bi-centennial commemoration amounted to \$88,369. Revenue from miscellaneous sources included rental income of the Brookeville Academy of \$14,925, \$1,247 received from interest, donations, and other sources and \$49,834 received from the Bi-centennial events held in FY 2014 which include the Madison supper, house tours and the symposium.
- Capital assets with total cost of \$923,708 have been depreciated by \$352,803 for a net reported value of \$570,905.
- General Government expenditures totaled \$75,299 and includes Financial Administration expenditures such as personnel, insurance, planning commission, legal, and Town Building expenditures such as utilities, maintenance and operation of the Town's community center and office. Public Works expenditures totaled \$29,444 and includes trash collection, recycling, street lighting, public space maintenance, trees, and road and sidewalk maintenance. There were also, \$138,280 of parks and recreation expenditures mainly for the War of 1812 Bi-centennial commemoration.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Brookeville's basic financial statements. The Town of Brookeville's 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 to A-3) The government-wide financial statements are designed to provide readers with a broad overview of the Town of Brookeville's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town of Brookeville'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 Town of Brookeville 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 Town of Brookeville are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town of Brookeville include general government and public works. The government-wide financial statements report only on the Town of Brookeville.

Fund financial statements. (Exhibits A-4 to A-6) A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Brookeville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Brookeville 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 Town of Brookeville maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement which is considered to be a major fund.

The Town of Brookeville adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund (as Required Supplemental Information) 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 Town of Brookeville, assets exceeded liabilities by \$1,058,489 at the close of the most recent fiscal year.

Approximately 54% of the Town of Brookeville's net position reflects its investment in capital assets (e.g., land, buildings and equipment). The Town of Brookeville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Town of Brookeville - Net Position

	<u>Governmental</u>
Current and other assets	\$ 519,509
Capital assets	570,905
Total assets	<u>1,090,414</u>
Deferred Outflows	<u>-</u>
Other liabilities	31,925
Long-term liabilities	<u>-</u>
Total liabilities	<u>31,925</u>
Deferred Inflows	<u>-</u>
Invested in capital assets, net of related debt	570,905
Unrestricted	<u>487,584</u>
Total net position	<u>\$ 1,058,489</u>

The unrestricted net position \$487,584 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities resulted in a net increase of the Town of Brookeville's net position by \$44,521.

Town of Brookeville - Changes in Net Position

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ 66,428
Operating grants and contributions	93,905
General revenues:	
Taxes	140,183
Other	<u>8,084</u>
Total Revenues	<u>308,600</u>
 Expenses:	
General government	41,266
Building and zoning	46,018
Public works	38,515
Parks and recreation	<u>138,280</u>
Total Expenses	<u>264,079</u>
 Increase in net position	44,521
Net position, July 1, 2012	<u>1,013,968</u>
Net position, June 30, 2013	<u>\$ 1,058,489</u>

- Taxes of \$140,183 comprised 45% of the total revenues. This balance is comprised of property and income taxes. The War of 1812 Bi-centennial commemoration revenue (grants and event registrations) of \$183,203 comprised 45% of the total revenues.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

(Exhibits A-4 and A-5)

The Town of Brookeville uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Governmental funds. The focus of the Town of Brookeville governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Brookeville financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Town of Brookeville governmental funds reported a combined ending fund balance of \$485,932.

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.

General Fund	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>
Revenues			
Taxes	\$136,241	\$ 136,241	\$ 139,820
Intergovernmental	12,672	12,672	12,374
Grants	0	0	88,369
Other	<u>14,036</u>	<u>14,036</u>	<u>67,675</u>
Total Revenues	<u>162,949</u>	<u>162,949</u>	<u>308,238</u>
Expenditures			
General government	110,879	110,879	75,299
Public Works	48,450	48,450	29,444
Parks and Recreation	<u>52,000</u>	<u>52,000</u>	<u>138,280</u>
Total Expenditures	<u>211,329</u>	<u>211,329</u>	<u>243,023</u>
Change in Fund Balance	<u>\$(48,380)</u>	<u>\$(48,380)</u>	<u>\$ 65,215</u>

The Town anticipates stable revenue from real estate taxes and believes it will be able to hold the tax rate as it is in the near term. State income tax revenue increased from the prior year. Rental revenues from the Brookeville Academy Community Center declined as compared to the previous year. Grant revenue supports a large percentage of the War of 1812 Bi-centennial commemoration expenses.

The Town continues to have short term additional expenses as a result of preparations for the 2014 200th anniversary of President James Madison's coming to Brookeville.

In fiscal year ending June 30, 2015 the Town continues to receive grant revenue and sales related to the War of 1812 Bi-centennial commemoration which was held August 30-31, 2014.

In Fiscal year ending June 30, 2015, the Town has plans to replace the cedar roof at the academy as well as plans to replace the propane tank and the fire alarm panel.

CAPITAL ASSETS

At the end of fiscal year 2014, the Town's governmental activities have invested \$570,905 in land, construction in progress, infrastructure, building and improvements and equipment, as reflected in the following schedule.

Governmental Activities - Capital Assets

	Governmental <u>Activities</u>
Non-Depreciable Assets	
Land	\$ 77,589
Power Woods park land improvements	<u>5,865</u>
Total Non depreciable capital assets	83,454
Other Capital Assets	
Infrastructure	58,847
Building and improvements	759,968
Equipment	<u>21,439</u>
Total Capital Assets being depreciated	<u>840,254</u>
Total Capital Assets	923,708
Accumulated Depreciation on	
Other Capital Assets	<u>(352,803)</u>
Net Capital Assets	<u>\$ 570,905</u>

ECONOMIC FACTORS

The major economic factors that will affect the Town of Brookeville is the size of the State income tax share that the Town will receive in the 2014 fiscal year and the expenditures associated with infrastructure improvement, maintenance, War of 1812, and sidewalk repairs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Brookeville's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Brookeville, P.O. Box 67, Brookeville, Maryland, 20833.

TOWN OF BROOKEVILLE, MARYLAND
Statements of Net Position
June 30,

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Assets		
Cash and cash equivalents	\$ 503,956	\$ 420,206
Receivables, net	1,706	1,576
Due from other governments	10,227	3,932
Prepaid expenses	3,620	2,053
Capital assets, net	<u>570,905</u>	<u>591,963</u>
Total Assets	<u>1,090,414</u>	<u>1,019,730</u>
Deferred Outflows		
	<u>-</u>	<u>-</u>
Liabilities		
Accounts payable	1,965	3,695
Deposits	2,250	1,000
Payroll taxes withheld and accrued	454	1,067
Unearned grant revenue	<u>27,256</u>	<u>-</u>
Total Liabilities	<u>31,925</u>	<u>5,762</u>
Deferred Inflows		
	<u>-</u>	<u>-</u>
Net Position		
Invested in capital assets, net of related debt	570,905	591,963
Unrestricted	<u>487,584</u>	<u>422,005</u>
Total Net Position	<u>\$ 1,058,489</u>	<u>\$ 1,013,968</u>

The accompanying notes are an integral part of these statements.

TOWN OF BROOKEVILLE, MARYLAND
Statement of Program Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenue			Net (Expenses) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
Governmental Activities					
General government	\$ 41,266	\$ -	\$ -	\$ (41,266)	\$ (41,266)
Building and zoning	46,018	16,594	-	(29,424)	(29,424)
Public works	38,515	-	5,536	(32,979)	(32,979)
Parks and recreation	138,280	49,834	88,369	(77)	(77)
Total Governmental Activities	\$ 264,079	\$ 66,428	\$ 93,905	(103,746)	(103,746)
General Revenues					
Property taxes				38,911	38,911
Income taxes				101,272	101,272
Intergovernmental				6,838	6,838
Interest				967	967
Miscellaneous				279	279
Total General Revenues				148,267	148,267
Changes in Net Position				44,521	44,521
Net Position - Beginning of Year				1,013,968	1,013,968
Net Position - End of Year				\$ 1,058,489	\$ 1,058,489

The accompanying notes are an integral part of this statement.

TOWN OF BROOKEVILLE, MARYLAND
Statement of Program Activities
For the Year Ended June 30, 2013

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>	<u>Net (Expenses) Revenue and Changes in Net Position</u>	
Functions/Programs							
Governmental Activities							
General government	\$ 39,740	\$ -	\$ -	\$ (39,740)	\$ (39,740)		
Building and zoning	49,827	18,245	-	(31,582)	(31,582)		
Public works	41,305	-	1,599	(39,706)	(39,706)		
Parks and recreation	9,597	-	-	(9,597)	(9,597)		
Interest on long-term debt	625	-	-	(625)	(625)		
Total Governmental Activities	<u>\$ 141,094</u>	<u>\$ 18,245</u>	<u>\$ 1,599</u>	<u>(121,250)</u>	<u>(121,250)</u>		
General Revenues							
Property taxes				37,643	37,643		
Income taxes				84,940	84,940		
Intergovernmental				6,838	6,838		
Interest				1,211	1,211		
Miscellaneous				1,220	1,220		
Total General Revenues				<u>131,852</u>	<u>131,852</u>		
Changes in Net Position				10,602	10,602		
Net Position - Beginning of Year				1,003,366	1,003,366		
Net Position - End of Year				<u>\$ 1,013,968</u>	<u>\$ 1,013,968</u>		

The accompanying notes are an integral part of this statement.

TOWN OF BROOKEVILLE, MARYLAND
Balance Sheets
Governmental Funds
June 30,

	General Fund <u>2014</u>	General Fund <u>2013</u>
Assets		
Cash and cash equivalents	\$ 503,956	\$ 420,206
Receivables, net	1,706	1,576
Due from other governments	10,227	3,932
Prepaid expenses	<u>3,620</u>	<u>2,053</u>
Total Assets	<u>519,509</u>	<u>427,767</u>
Deferred Outflows	<u>-</u>	<u>-</u>
Liabilities		
Accounts payable	1,965	3,695
Deposits	2,250	1,000
Payroll taxes withheld and accrued	454	1,067
Unearned grant revenue	<u>27,256</u>	<u>-</u>
Total Liabilities	<u>31,925</u>	<u>5,762</u>
Deferred Inflows	<u>1,652</u>	<u>1,288</u>
Fund Balances		
Nonspendable	3,620	2,053
Assigned	42,026	90,231
Unassigned	<u>440,286</u>	<u>328,433</u>
Total Fund Balance	<u>\$ 485,932</u>	<u>\$ 420,717</u>
Reconciliation of Total Governmental Fund Balances To Net Position of the Governmental Activities		
Total Governmental Fund Balances	\$ 485,932	\$ 420,717
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Property tax revenues in the Statement of Program Activities that do not provide current financial resources are not reported as revenues in the funds.	1,652	1,288
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>570,905</u>	<u>591,963</u>
Net Position Governmental Activities	<u>\$ 1,058,489</u>	<u>\$ 1,013,968</u>

The accompanying notes are an integral part of these statements.

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

	2014	2013
	General	General
	Fund	Fund
	<u> </u>	<u> </u>
Revenues		
General property taxes	\$ 38,548	\$ 37,484
State shared taxes	101,272	84,940
Licenses and permits	1,669	1,570
Intergovernmental revenue	12,374	8,437
Grant revenue	88,369	-
Miscellaneous	<u>66,006</u>	<u>19,106</u>
Total Revenues	<u>308,238</u>	<u>151,537</u>
Expenditures		
General government	75,299	72,498
Public works	29,444	37,316
Debt service	-	17,819
Parks and recreation	<u>138,280</u>	<u>9,597</u>
Total Expenditures	<u>243,023</u>	<u>137,230</u>
Excess of Revenues Over Expenditures	65,215	14,307
Fund Balance at Beginning of Year	<u>420,717</u>	<u>406,410</u>
Fund Balance at End of Year	<u>\$ 485,932</u>	<u>\$ 420,717</u>

The accompanying notes are an integral part of these statements.

TOWN OF BROOKEVILLE, MARYLAND
Reconciliation of the Statements of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Program Activities
For the Years Ended June 30,

	<u>2014</u>	<u>2013</u>
Net Change in Fund Balance - Total Governmental Funds	\$ 65,215	\$ 14,307
<p>Amounts reported for governmental activities in the Statement of Program Activities are different because:</p>		
<p>Property tax revenues in the Statement of Program Activities that (do) do not provide current financial resources are not reported as revenues in the funds.</p>	364	159
<p>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 exceeded capital outlay in the current period.</p>	(21,058)	(21,058)
<p>Repayment of note payable is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>	-	17,194
Net Change in Net Position	\$ 44,521	\$ 10,602

The accompanying notes are an integral part of these statements.

TOWN OF BROOKEVILLE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Town of Brookeville (Town) was incorporated in 1808 under the laws of the State of Maryland. The Town operates under a Commission form of government consisting of a President and Town Commissioners. The Town provides the following services as authorized by its charter: highways and streets, planning and zoning, sanitation, and general administration services. The basic financial statements of the Town 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 established governmental and financial reporting principles. The Town implemented the 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 Town. All assets, deferred outflows, liabilities and deferred inflows of resources associated with the operation of the Town 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.)

TOWN OF BROOKEVILLE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

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 Town 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 Town of Brookeville. There are no organizations for which the Town is financially accountable and there are no component units of the Town.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The reporting model focus is on both the Town 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 non-fiduciary activities of the Town. 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 Town has only one governmental fund, the general fund, to account for all activities of the government, and does not have any business-type or fiduciary fund 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.

TOWN OF BROOKEVILLE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

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 and similar items are recognized when the grantor eligibility requirements imposed by the provider have been 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the Town 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, and interest income 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 year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town 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 Town 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 Town has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

The Town reports the following major governmental fund:

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

TOWN OF BROOKEVILLE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies (continued)

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

1. Deposits and Investments

Cash and cash equivalents, which are cash and money market accounts, include cash on hand and demand deposit accounts. The Town reporting entity considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure assets 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 of five years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired prior to July 1, 2005 are not reported in the basic financial statements. At June 30, 2014 and 2013, there is \$58,847 of infrastructure recorded on the books. 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. Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure – 40 years
Buildings – 40 years
Improvements – 40 years
Office and other equipment 5 to 10 years

TOWN OF BROOKEVILLE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies (continued)

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

4. Long-Term Debt

In the government-wide financial statements, outstanding debt is reported as a liability. Long-term debt for governmental activities is not reported as a liability in the fund financial statements. The long term debt consisted of a note payable.

5. 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 Town 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. The Town recognizes unearned property taxes as a deferred inflow.

6. Property Taxes

Property taxes for the years ended June 30, 2014 and 2013 were assessed and collected by Montgomery County and subsequently remitted to the Town. 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 real property tax rates for the Town for fiscal years ended June 30, 2014 and 2013 was .15, respectively, per \$100 of assessed taxable value. The public utilities, corporate and personal property tax rates for the Town for the fiscal years ended June 30, 2014 and 2013 was .45, respectively, per \$100 of assessed taxable value. Procedures for the collection of delinquent taxes by Montgomery County are provided for in the laws of Maryland.

TOWN OF BROOKEVILLE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies (continued)

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

7. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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.

8. Net Position

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

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

Restricted net position – This amount is restricted by creditors, grantors, contributors, 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”.

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 sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position.

TOWN OF BROOKEVILLE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 3 – Detailed Notes on All Funds

B. Deposits and Investments

Deposits

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

Town administration is authorized to invest in those instruments authorized by Maryland Statutes. Cash and cash equivalents as presented on the balance sheet and statement of net position include deposits (cash), a money market account and certificate of deposit.

At June 30, 2014 and 2013, the carrying amount of the Town's deposits were \$503,956 and \$420,206, respectively, and the bank balances totaled \$510,980 and \$421,195 respectively. Accounts at each institution are insured by Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2014, uninsured cash balances were \$10,877. The Town has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on deposits.

C. Receivables

Receivables as of June 30, 2014 and 2013 for the Town's individual major governmental funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	<u>2014</u>	<u>2013</u>
Property taxes	\$ 1,706	\$ 1,576
Gross Receivables	1,706	1,576
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>
Total Receivables - Net	<u>\$ 1,706</u>	<u>\$ 1,576</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. As of June 30, 2014 and 2013 the Town had \$1,652 and \$1,288, respectively in unearned revenue.

TOWN OF BROOKEVILLE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 3 – Detailed Notes on All Funds (continued)

D. Due From Other Governments

Due from other governments represents accrued revenue at June 30, 2014 and 2013 consisting of the following:

	<u>2014</u>	<u>2013</u>
Primary Government		
General Fund		
State	\$ 8,499	\$ 2,688
County	<u>1,728</u>	<u>1,244</u>
Total Primary Government	<u>\$ 10,227</u>	<u>\$ 3,932</u>

TOWN OF BROOKEVILLE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 3 – Detailed Notes on All Funds (continued)

E. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 77,589	\$ -	\$ -	\$ 77,589
Power Woods Park land improvement	<u>5,865</u>	<u>-</u>	<u>-</u>	<u>5,865</u>
Total capital assets, not being depreciated	<u>83,454</u>	<u>-</u>	<u>-</u>	<u>83,454</u>
Capital assets, being depreciated				
Infrastructure	58,847	-	-	58,847
Buildings and improvements	759,968	-	-	759,968
Equipment	<u>21,439</u>	<u>-</u>	<u>-</u>	<u>21,439</u>
Total capital assets being depreciated	<u>840,254</u>	<u>-</u>	<u>-</u>	<u>840,254</u>
Less accumulated depreciation for:				
Infrastructure	(21,042)	(1,530)	-	(22,572)
Buildings and improvements	(289,264)	(19,528)	-	(308,792)
Equipment	<u>(21,439)</u>	<u>-</u>	<u>-</u>	<u>(21,439)</u>
Total accumulated depreciation	<u>(331,745)</u>	<u>(21,058)</u>	<u>-</u>	<u>(352,803)</u>
Total capital assets, being depreciated, net	<u>508,509</u>	<u>(21,058)</u>	<u>-</u>	<u>487,451</u>
Governmental activities capital assets, net	<u>\$ 591,963</u>	<u>\$ (21,058)</u>	<u>\$ -</u>	<u>\$ 570,905</u>

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

	<u>2014</u>	<u>2013</u>
Governmental activities		
General government	\$ 17,069	\$ 17,069
Public works	<u>3,989</u>	<u>3,989</u>
Total depreciation expense, governmental activities	<u>\$ 21,058</u>	<u>\$ 21,058</u>

TOWN OF BROOKEVILLE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 3 – Detailed Notes on All Funds (continued)

F. 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.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the President and Commissioners of the Town.

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.

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

Assigned Fund Balance

The Town's Assigned Fund Balance is fund balance reporting occurring by the President and Commissioners under the direction of the Town Manager.

TOWN OF BROOKEVILLE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 3 – Detailed Notes on All Funds (continued)

F. Fund Balance (continued)

The Town utilizes encumbrance based accounting. As of June 30, 2014, there was a cumulative \$42,026 of non-restricted encumbrances, which is general fund assigned fund balance. The following is a schedule of the assigned fund balances as of June 30, 2014:

Propane tank	\$	5,000
Cedar roof replacement		25,000
Fund Balance to be used for next years budget		<u>12,026</u>
	\$	<u>42,026</u>

Order of Fund Balance Spending Policy

The Town'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 – Grants

The Town receives financial assistance from local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any unallowed disbursements resulting from such audits could become a liability of the Town. In the opinion of Town management, no material refunds will be required as a result of unallowed disbursements (if any), by the grantor agencies.

Grant revenue is recognized as funds are expended. Any amount received in excess of expenditures is recorded as unearned grant revenue and will be recognized as revenue in the year it is earned.

TOWN OF BROOKEVILLE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 5 – Commitment and Contingencies

A. Risk Management

The Town is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the Town carries insurance through Montgomery County Self Insurance Pool together with the County Government's component units, and at least one other local municipality. For the years ended June 30, 2014 and 2013, the Town paid annual premiums of approximately \$2,199 and \$1,344, respectively, to the pool for its general, auto, and property insurance coverage. Claims over the past three years have been significantly less than that amount. The agreement with the pool provides that the pool will be self-sustaining through member premiums, and will reinsure through commercial companies for claims in excess of \$1,000,000.

The Town continues to carry commercial insurance for workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage, and no significant reductions in insurance coverage have occurred in any of the past three fiscal years.

Note 6 – Subsequent Events

Management has evaluated subsequent events through October 23, 2014, the date that the financial statements were available to be issued. There were no significant events to report.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF BROOKEVILLE, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For Year Ended June 30, 2014

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Taxes				
Local				
Real property tax	\$ 42,760	\$ 42,760	\$ 35,583	\$ (7,177)
Personal and ordinary business and public utilities	<u>3,000</u>	<u>3,000</u>	<u>2,393</u>	<u>(607)</u>
Total Taxes - Local	45,760	45,760	37,976	(7,784)
Additions and abatements - prior years	<u>-</u>	<u>-</u>	<u>572</u>	<u>572</u>
Total Taxes - Local - Net	<u>45,760</u>	<u>45,760</u>	<u>38,548</u>	<u>(7,212)</u>
State Shared				
Income taxes	<u>90,481</u>	<u>90,481</u>	<u>101,272</u>	<u>10,791</u>
Total Taxes - State Shared	<u>90,481</u>	<u>90,481</u>	<u>101,272</u>	<u>10,791</u>
Total Taxes	<u>136,241</u>	<u>136,241</u>	<u>139,820</u>	<u>3,579</u>
Licenses and Permits				
Building permits	500	500	231	(269)
Cable franchise tax	<u>1,286</u>	<u>1,286</u>	<u>1,438</u>	<u>152</u>
Total Licenses and Permits	<u>1,786</u>	<u>1,786</u>	<u>1,669</u>	<u>(117)</u>
Intergovernmental Revenues				
County municipal	200	200	-	(200)
Municipal Tax Duplication	6,794	6,794	6,794	-
State highway user tax	5,635	5,635	5,536	(99)
Financial corporation -bank shares	<u>43</u>	<u>43</u>	<u>44</u>	<u>1</u>
Total Intergovernmental Revenues	<u>\$ 12,672</u>	<u>\$ 12,672</u>	<u>\$ 12,374</u>	<u>\$ (298)</u>

Continued

TOWN OF BROOKEVILLE, MARYLAND

Required Supplemental Information

Budgetary Comparison Schedule

General Fund

For Year Ended June 30, 2014

	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget Positive (Negative)
Grants				
State				
State of Maryland War of 1812				
bicentennial commission	\$ -	\$ -	\$ 52,184	\$ 52,184
State of Maryland department of				
planning	-	-	23,550	23,550
County				
Montgomery County grant	-	-	10,000	10,000
Montgomery County tourism grant			1,875	1,875
Other	-	-	760	760
Total Grants	<u>-</u>	<u>-</u>	<u>88,369</u>	<u>88,369</u>
Miscellaneous				
Interest	250	250	967	717
Rental income	12,000	12,000	14,925	2,925
Madison supper income	-	-	38,032	38,032
House tour registrations	-	-	7,604	7,604
Symposium registrations	-	-	4,198	4,198
Miscellaneous	-	-	280	280
Total Miscellaneous	<u>12,250</u>	<u>12,250</u>	<u>66,006</u>	<u>53,756</u>
Total Revenues	<u>\$ 162,949</u>	<u>\$ 162,949</u>	<u>\$ 308,238</u>	<u>\$ 145,289</u>

Continued

TOWN OF BROOKEVILLE, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For Year Ended June 30, 2014

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
General Government				
Financial Administration				
Audit	\$ 5,900	\$ 5,900	\$ 5,900	\$ -
Accounting	200	200	-	200
Business manager salaries	7,105	7,105	7,104	1
Payroll taxes	3,000	3,000	2,138	862
Clerk salaries	8,825	8,825	10,024	(1,199)
Treasurer salaries	6,600	6,600	6,600	-
Meetings	200	200	246	(46)
Dues and fees	1,000	1,000	585	415
Insurance	1,456	1,456	2,199	(743)
Legal	1,000	1,000	-	1,000
Office supplies	1,150	1,150	1,436	(286)
Technology/website	1,000	1,000	305	695
Planning commission	2,600	2,600	2,000	600
Bicentennial commission salaries	2,933	2,933	1,222	1,711
Donations	500	500	350	150
Miscellaneous	500	500	1,158	(658)
Total Financial Administration	<u>43,969</u>	<u>43,969</u>	<u>41,267</u>	<u>2,702</u>
Town Building				
Advertising	575	575	100	475
Custodian	2,500	2,500	2,840	(340)
Grounds	500	500	-	500
Maintenance - building	5,350	5,350	1,499	3,851
Maintenance - other	2,350	2,350	865	1,485
Elevator	1,000	1,000	970	30
Security and mechanical systems	2,535	2,535	3,102	(567)
Parking	500	500	500	-
Capital expenses	35,000	35,000	3,231	31,769
Utilities	16,600	16,600	20,925	(4,325)
Total Town Building	<u>66,910</u>	<u>66,910</u>	<u>34,032</u>	<u>32,878</u>
Total General Government	<u>\$ 110,879</u>	<u>\$ 110,879</u>	<u>\$ 75,299</u>	<u>\$ 35,580</u>

Continued

TOWN OF BROOKEVILLE, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For Year Ended June 30, 2014

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public Works				
Solid waste and recycling	\$ 13,800	\$ 13,800	\$ 12,984	\$ 816
Schoolhouse	250	250	349	(99)
Schoolhouse repairs	500	500	-	500
Grounds improvement	5,000	5,000	590	4,410
Public area maintenance	15,000	15,000	7,830	7,170
Road and sidewalk maintenance	9,000	9,000	4,920	4,080
Snow removal	2,000	2,000	2,523	(523)
Street light	500	500	-	500
Solid waste tax	250	250	248	2
Tree rebate	150	150	-	150
Tree service	2,000	2,000	-	2,000
Total Public Works	<u>48,450</u>	<u>48,450</u>	<u>29,444</u>	<u>19,006</u>
Parks and Recreation				
Party	2,000	2,000	1,422	578
War of 1812 Bi-centennial	50,000	50,000	136,858	(86,858)
Total Parks and Recreation	<u>52,000</u>	<u>52,000</u>	<u>138,280</u>	<u>(86,280)</u>
Total Expenditures	<u>\$ 211,329</u>	<u>\$ 211,329</u>	<u>\$ 243,023</u>	<u>\$ (31,694)</u>

The accompanying notes are an integral part of this schedule.

TOWN OF BROOKEVILLE, MARYLAND
Notes to Required Supplemental Information
June 30, 2014

Note 1 – Summary of Significant Budget Policies

The Town Commissioners annually adopt a budget for the General Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund. On September 10, 2013, the Town Commissioners approved the original adopted budget reflected in the financial statements for fiscal year ending June 30, 2014.

The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare 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 years ended June 30, 2014. In addition, there were no excesses of budgetary expenditures for the period.

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