



**TOWN OF SYKESVILLE, MARYLAND  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

## **TABLE OF CONTENTS**

	<b>P a g e</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 2
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
• Management's Discussion and Analysis (Unaudited)	3 - 10
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
• Statement of Net Assets	11 - 12
• Statement of Activities	13
<b>Fund Financial Statements</b>	
• Balance Sheet - Governmental Funds	14
• Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	15
• Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
• Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	17
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	18 - 40
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
• Schedule "1" - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - General Fund (Unaudited)	41



RAGER, LEHMAN & HOUCK, P.C.  
*Opportunity Innovation Excellence*

## INDEPENDENT AUDITORS' REPORT

October 14, 2011

Honorable Mayor and Members of the Town Council  
Town of Sykesville, Maryland  
Sykesville, Maryland

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Sykesville, Maryland (the "Town"), as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Sykesville, Maryland's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the Town's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the Town's primary government unless the Town also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Town has not issued such reporting entity financial statements. Because the component unit's financial statements have not been audited, the effects of this departure from accounting principles generally accepted in the United States of America are not reasonably determinable.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit of the Town of Sykesville,

Maryland as of June 30, 2011, or the changes in financial position thereof for the year then ended.

As discussed in Note 15 to the financial statements, the Town has not measured the effects of Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, in relation to the Warfield Complex buildings. Accounting principles generally accepted in the United States of America require that pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, be accounted for, reported and disclosed when an obligating event has occurred and a corresponding liability should be recognized. The amount by which this departure would affect the assets, liabilities, net assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, except for the omission of the information referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Sykesville, Maryland as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Sykesville, Maryland as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *budgetary comparison information* on pages 3 through 10 and 41 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.

Rager, Lehman & Houck, P.C.

**TOWN OF SYKESVILLE, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**UNAUDITED**

This discussion and analysis of the Town of Sykesville's (the "Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements. The emphasis of discussion about these statements will be on current year data.

**FINANCIAL HIGHLIGHTS**

1. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$20,428,225.
2. The Town's total net assets decreased by \$535,505. This was primarily due to the large amount of depreciation on the Town's capital assets.
3. As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,240,059, an increase of \$14,919 in comparison to the prior year balances of \$1,225,140. Approximately 57% of this total amount (\$711,437) constitutes unrestricted and unassigned fund balance, \$532,728 of which relates to cash balances available for spending at the Town's discretion based on management's analysis.
4. Exterior work on the relocated house on Oklahoma Avenue was completed and although the interior is unfinished, it has now been listed for sale or lease by the Mayor & Town Council.
5. Thanks to a grant from Program Open Space, Community Parks and Playgrounds, the Town installed new equipment and playground surface at Jones Park during the year ended June 30, 2011.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**TOWN OF SYKESVILLE, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**UNAUDITED**

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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., unbilled tax revenue).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, recreation and parks, and historic buildings. The Town currently has no business-type activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town 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 inflow 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 on 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 effect 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.

**TOWN OF SYKESVILLE, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**UNAUDITED**

The Town maintains two individual governmental funds, the General and Capital Projects Funds, as needed. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Capital Projects Funds, as needed.

The Town adopts an annual appropriated budget for the General Fund. A budgetary comparison statement for the General Fund has been provided to demonstrate compliance with the budget.

**Notes to the 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$20,428,225 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets (over 94%) reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Our following analysis focuses on the net assets and changes in net assets of the Town's governmental activities.

**TOWN OF SYKESVILLE, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**UNAUDITED**

**CONDENSED STATEMENTS OF NET ASSETS**  
**AS OF JUNE 30, 2011 AND 2010**

	Governmental Activities		Total Government	
	2011	2010	2011	2010
<b>ASSETS</b>				
Current and Other Assets	\$ 1,457,963	\$ 1,458,342	\$ 1,457,963	\$ 1,458,342
Capital Assets, Net	<u>20,704,933</u>	<u>21,347,368</u>	<u>20,704,933</u>	<u>21,347,368</u>
<b>TOTAL ASSETS</b>	<b><u>22,162,896</u></b>	<b><u>22,805,710</u></b>	<b><u>22,162,896</u></b>	<b><u>22,805,710</u></b>
<b>LIABILITIES</b>				
Long-Term Debt	1,398,297	1,502,433	1,398,297	1,502,433
Other Liabilities	<u>336,374</u>	<u>339,537</u>	<u>336,374</u>	<u>339,537</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,734,671</u></b>	<b><u>1,841,980</u></b>	<b><u>1,734,671</u></b>	<b><u>1,841,980</u></b>
<b>NET ASSETS</b>				
Invested In Capital Assets, Net of Related Debt	19,316,756	19,994,768	19,316,756	19,994,768
Restricted	27,041	170,924	27,041	170,924
Unrestricted	<u>1,084,428</u>	<u>798,038</u>	<u>1,084,428</u>	<u>798,038</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$20,428,225</u></b>	<b><u>\$20,963,730</u></b>	<b><u>\$20,428,225</u></b>	<b><u>\$20,963,730</u></b>

The Town has sufficient funds to meet requirements for cash outflows for the next fiscal year as well as capital improvements.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets.

**TOWN OF SYKESVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011  
UNAUDITED**

**CONDENSED CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	Governmental Activities		Total Government	
	2011	2010	2011	2010
<b>REVENUES</b>				
<b>Program Revenues</b>				
Charges for Services	\$ 384,272	\$ 317,744	\$ 384,272	\$ 317,744
Operating Grants and Contributions	92,738	111,554	92,738	111,554
Capital Grants and Contributions	143,880	238,622	143,880	238,622
<b>General Revenues</b>				
Income Taxes	571,907	535,240	571,907	535,240
Real Estate Taxes	1,165,289	1,204,269	1,165,289	1,204,269
Property Taxes	32,342	33,878	32,342	33,878
Other Taxes	936	1,762	936	1,762
Non-Restricted Grants/Contributions	214,416	236,521	214,416	236,521
Licenses and Permits	57,633	65,444	57,633	65,444
Interest Income	25,490	48,802	25,490	48,802
Miscellaneous	3,088	16,990	3,088	16,990
<b>TOTAL REVENUES</b>	<b>2,691,991</b>	<b>2,810,826</b>	<b>2,691,991</b>	<b>2,810,826</b>
<b>PROGRAM EXPENSES</b>				
General Government	560,076	563,774	560,076	563,774
Public Safety	705,561	714,425	705,561	714,425
Public Works	1,220,649	1,239,495	1,220,649	1,239,495
Recreation and Parks	101,709	121,304	101,709	121,304
Post Office	324,468	321,811	324,468	321,811
Historic Buildings	256,739	247,400	256,739	247,400
Interest on Long-Term Debt	58,294	63,448	58,294	63,448
<b>TOTAL PROGRAM EXPENSES</b>	<b>3,227,496</b>	<b>3,271,657</b>	<b>3,227,496</b>	<b>3,271,657</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (535,505)</b>	<b>\$ (460,831)</b>	<b>\$ (535,505)</b>	<b>\$ (460,831)</b>

**Governmental activities.** For the year ended June 30, 2011, governmental activities decreased the Town's net assets by \$535,505, primarily due to the large amount of depreciation on the Town's capital assets.

**TOWN OF SYKESVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011  
UNAUDITED**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved 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's governmental funds reported combined ending fund balances of \$1,240,059, an increase of \$14,919 in comparison with the prior year. Approximately 57% of this total amount (\$711,437) constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the Town. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 26% of the total General Fund expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget for the Town was amended numerous times during the year as approved by Council. There were changes to reclass budgeted expenditures to other cost centers.

The following is discussion regarding some of the more significant differences between the Town's final budget and actual results:

Intergovernmental revenue received created a budget shortfall of \$74,363 largely due to decreases in state grants and other funding, such as Highway User Revenues, over expected amounts. Charges for Services exceeded the budgeted amount by \$284,120 as a result of the procedure for receiving and depositing amounts collected at the Post Office. The Post Office expenditures exceeded the budget by \$262,486 as a result of the procedures for obtaining postal supplies. Capital outlays expenditures were less than the budget by \$138,725, mainly due to less costs necessary and incurred for the South Branch Park improvement and Oklahoma Avenue house relocation projects than budgeted.

**TOWN OF SYKESVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011  
UNAUDITED**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The Town's investment in capital assets for its governmental activities as of June 30, 2011, amounted to \$20,704,933 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, park facilities, historic buildings, infrastructure, and parking lots. The total net decrease in the Town's investment in capital assets for the current fiscal year was \$642,435.

As of June 30, 2011, the Town was committed under a contract for stone house stabilization at South Branch Park for \$51,833, \$46,861 of which was outstanding at June 30, 2011.

Additional information on the Town's capital assets can be found in the financial statements and related notes.

**Outstanding Debt at June 30, 2011.**

	Governmental <u>Activities</u>	<u>Total</u>
Capital Lease Obligations	\$ 14,037	\$ 14,037
Loans and Notes Outstanding	21,561	21,561
General Obligation Bonds	<u>1,368,728</u>	<u>1,368,728</u>
Total Debt	<u>\$1,404,326</u>	<u>\$1,404,326</u>

The Town's total debt decreased by \$104,030 (6.4%) during the current fiscal year.

Additional information on the Town's long-term debt can be found in financial statements and related notes.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The following factors were considered in preparing the Town's budget for the 2011-2012 fiscal year:

- The current tax rate of 0.33 cents per \$100 has not changed since the 2004-2005 fiscal year.
- As noted in fund balances disclosure in the financial statements, \$161,511 from the General Fund was assigned to be used in lieu of financing for the purchase of a trash truck and toward other capital purchases approved during the budget process.

**TOWN OF SYKESVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011  
UNAUDITED**

- The majority of revenues have been budgeted comparable with the 2010-2011 fiscal year as growth is expected to be limited.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Treasurer at: Town of Sykesville, 7547 Main Street, Sykesville, MD 21784

**TOWN OF SYKESVILLE, MARYLAND**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Pooled Cash and Cash Equivalents	
Unrestricted	\$ 232,204
Restricted	27,041
Non-Pooled Cash and Cash Equivalents	226,620
Certificates of Deposit	52,000
Accounts Receivable	27,555
Taxes Receivable	37,986
Grants Receivable	110,149
Due from Other Governments	10,502
Due from Component Unit	74,596
Prepaid Expenses	25,262
Current Portion of Notes Receivable	<u>2,812</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>826,727</u></b>
<b>NON-CURRENT ASSETS</b>	
Certificates of Deposit	<u>454,000</u>
Due from Component Unit	<u>114,592</u>
Notes Receivable	<u>46,495</u>
Bond Issue Costs (Net of Accumulated Amortization)	<u>16,149</u>
Property and Equipment	
Construction in Progress	128,390
Land	8,169,015
Buildings and Improvements	7,187,539
Equipment	1,102,882
Infrastructure	10,464,570
Leasehold Improvements	95,514
Vehicles	<u>481,721</u>
	<u>27,629,631</u>

See Accompanying Notes

**TOWN OF SYKESVILLE, MARYLAND**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

	Governmental Activities
	<u>6,924,698</u>
Less: Accumulated Depreciation Net Property and Equipment	<u>20,704,933</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<b><u>21,336,169</u></b>
<b>TOTAL ASSETS</b>	<b><u>22,162,896</u></b>
 <b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	146,925
Accrued Expenses	55,025
Amounts Held in Escrow	150
Deferred Revenues	7,483
Current Portion of Capital Lease Obligations	6,777
Current Portion of Loan Payable	4,896
Current Portion of Bonds Payable	115,118
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>336,374</u></b>
<b>NON-CURRENT LIABILITIES</b>	
Accrued Compensated Absences	120,762
Capital Lease Obligations	7,260
Loan Payable	16,665
Bonds Payable	1,253,610
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b><u>1,398,297</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>1,734,671</u></b>
<b>NET ASSETS</b>	
Investment in Capital Assets (Net of Related Debt)	19,316,756
Restricted	27,041
Unrestricted	1,084,428
<b>TOTAL NET ASSETS</b>	<b><u>\$ 20,428,225</u></b>

See Accompanying Notes

**TOWN OF SYKESVILLE, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
<b>PRIMARY GOVERNMENT</b>						
<b>Governmental Activities</b>						
General Government	\$ 560,076	\$ 36,405	\$ -	\$ -	\$ (523,671)	\$ (523,671)
Public Safety	705,561	4,500	46,364	-	(654,697)	(654,697)
Public Works	1,220,649	54,436	18,010	-	(1,148,203)	(1,148,203)
Recreation and Parks	101,709	-	8,641	143,880	50,812	50,812
Post Office	324,468	288,931	-	-	(35,537)	(35,537)
Historic Buildings	256,739	-	19,723	-	(237,016)	(237,016)
Interest on Long-Term Debt	58,294	-	-	-	(58,294)	(58,294)
<b>Total Governmental Activities</b>	<b>3,227,496</b>	<b>384,272</b>	<b>92,738</b>	<b>143,880</b>	<b>(2,606,606)</b>	<b>(2,606,606)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 3,227,496</b>	<b>\$ 384,272</b>	<b>\$ 92,738</b>	<b>\$ 143,880</b>	<b>(2,606,606)</b>	<b>(2,606,606)</b>
<b>GENERAL REVENUES</b>						
Taxes						
					571,907	571,907
					1,165,289	1,165,289
					32,342	32,342
					936	936
					214,416	214,416
					57,633	57,633
					25,490	25,490
					3,088	3,088
					<b>2,071,101</b>	<b>2,071,101</b>
<b>CHANGES IN NET ASSETS</b>						
					<b>(535,505)</b>	<b>(535,505)</b>
					20,963,730	20,963,730
					<b>\$ 20,428,225</b>	<b>\$ 20,428,225</b>

See Accompanying Notes

**TOWN OF SYKESVILLE, MARYLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	General Fund	Total Governmental Funds
<b>ASSETS</b>		
Pooled Cash and Cash Equivalents		
Unrestricted	\$ 232,204	\$ 232,204
Restricted	27,041	27,041
Non-Pooled Cash and Cash Equivalents	226,620	226,620
Certificates of Deposit	506,000	506,000
Accounts Receivable	27,555	27,555
Taxes Receivable	37,986	37,986
Grants Receivable	110,149	110,149
Due from Other Governments	10,502	10,502
Due from Component Unit	189,188	189,188
Prepaid Expenses	25,262	25,262
Notes Receivable	49,307	49,307
<b>TOTAL ASSETS</b>	<b>\$ 1,441,814</b>	<b>\$ 1,441,814</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 146,925	\$ 146,925
Accrued Expenses	47,197	47,197
Amounts Held in Escrow	150	150
Deferred Revenues	7,483	7,483
<b>TOTAL LIABILITIES</b>	<b>201,755</b>	<b>201,755</b>
<b>FUND BALANCES</b>		
Nonspendable	194,618	194,618
Restricted	27,041	27,041
Assigned	306,963	306,963
Unassigned	711,437	711,437
<b>TOTAL FUND BALANCES</b>	<b>1,240,059</b>	<b>1,240,059</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,441,814</b>	<b>\$ 1,441,814</b>

See Accompanying Notes

**TOWN OF SYKESVILLE, MARYLAND**  
**RECONCILIATION OF THE BALANCE SHEET -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 1,240,059</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	20,704,933
Bond issue costs are reported as expenditures in the year incurred in the governmental funds.	16,149
Long-term compensated absences are not payable in the current period and are reported as wages in the period during which the absence occurs in the fund financial statements.	(120,762)
Long-term liabilities, including bonds payable, loans payable, capital lease obligations, and interest payable, are not due and payable in the current period, and therefore, are not reported in the fund financial statements.	<u>(1,412,154)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 20,428,225</u></u></b>

See Accompanying Notes

**TOWN OF SYKESVILLE, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Total Governmental Funds
<b>REVENUES</b>		
Taxes	\$ 1,770,474	\$ 1,770,474
Intergovernmental	422,670	422,670
Charges for Services	345,292	345,292
Licenses and Permits	57,633	57,633
Fines and Forfeitures	4,500	4,500
Interest Income and Rents	69,020	69,020
Miscellaneous	31,427	31,427
<b>TOTAL REVENUES</b>	<b>2,701,016</b>	<b>2,701,016</b>
<b>EXPENDITURES</b>		
General Government	431,832	431,832
Public Safety	456,458	456,458
Public Works	494,769	494,769
Recreation and Parks	65,781	65,781
Post Office	324,468	324,468
Historic Buildings	28,507	28,507
Miscellaneous	425,675	425,675
Debt Service	188,252	188,252
Capital Outlays	298,193	298,193
<b>TOTAL EXPENDITURES</b>	<b>2,713,935</b>	<b>2,713,935</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(12,919)</b>	<b>(12,919)</b>
<b>OTHER FINANCING SOURCES</b>		
Proceeds from Debt Issuance	27,838	27,838
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>27,838</b>	<b>27,838</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>14,919</b>	<b>14,919</b>
Fund Balances - Beginning of Year	1,225,140	1,225,140
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 1,240,059</b>	<b>\$ 1,240,059</b>

See Accompanying Notes

**TOWN OF SYKESVILLE, MARYLAND**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<b>CHANGES IN FUND BALANCES - TOTAL</b>		
<b>GOVERNMENTAL FUNDS</b>	<b>\$</b>	<b>14,919</b>

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Add: Capital Outlays		298,193
Less: Depreciation Expense		(940,628)

Proceeds from debt issuance provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net assets.		(27,838)
---	--	----------

Repayments of bond, loan, and capital lease obligation principal are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		123,927
--	--	---------

Amortization of bond issue costs.		(1,346)
-----------------------------------	--	---------

In the statement of activities, certain expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses include the change in:

Accrued Compensated Absences		(1,084)
Accrued Interest Expense		(1,648)

<b>CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>(535,505)</u></b>
---	-----------	-------------------------

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies**

Reporting Entity

The Town of Sykesville, Maryland (the "Town") was incorporated in 1904, pursuant to authority of Article XIE of the Constitution of Maryland and Article 23A of the Annotated Code of Maryland. The Town operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, recreation and parks, post office, public improvements, planning and zoning and general administrative services.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). 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 evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is considered a component unit of the Town:

Warfield Development Corporation (WDC) - The Corporation is a 501(c)(3) legally separate organization incorporated for the purpose of promoting economic development of the Warfield Complex. The WDC is a component unit of the Town because five of nine authorized board member positions are appointed and/or occupied by the Mayor and members of the Town Council. However, the financial statements of the WDC have not been included in the Town's financial statements because audited financial statements were not available for the year ended June 30, 2011.

Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's general administrative services, public safety, public works, recreation and parks, post office, and historic buildings are classified as governmental activities. The Town has no business-type activities.

In the government-wide statement of net assets, the governmental column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; net assets reserved for restricted purposes; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenues (property and income taxes, certain intergovernmental revenues, licenses, fines, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. The program revenues must be directly associated with the function. Program revenues include revenues from fines, licenses and permit fees, and charges for services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property and income taxes, intergovernmental revenues, interest income, etc.).

The Town does not allocate indirect costs.

This government-wide focus is on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

*Basic Financial Statements - Fund Financial Statements*

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Town utilizes various criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

Governmental Funds

Governmental funds are those through which most governmental functions of the Town are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is a description of the Town's major governmental fund:

General Fund - The General Fund is the primary operating fund of the Town. It is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual - Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the provider should recognize liabilities and expenses, and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and as deferred revenues by the recipient.

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

Cash and Cash Equivalents

The Town considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The carrying amount approximates estimated fair value because of the short maturity of those instruments.

Receivables

All receivables are reported net of estimated uncollectible amounts.

Bond Issue Costs

In the government-wide financial statements, bond issue costs are capitalized and amortized over the terms of the respective bonds using a method, which approximates the effective interest method. In the governmental fund financial statements, bond issue costs are expensed in the year of the bond issuance.

Capital Assets and Depreciation

Capital assets used in governmental fund type operations are accounted for in the government-wide statements, rather than in governmental funds.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Capital assets with a value of \$5,000 or more are capitalized by the Town.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 50 years
Equipment	2 - 20 years
Improvements/Infrastructure	5 - 50 years
Vehicles	5 years

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. General infrastructure assets acquired prior to July 1, 2000 are not reported in the basic financial statements. General infrastructure assets include all roads, bridges, and other infrastructure assets acquired subsequent to July 1, 2000. The Town has elected not to retroactively report intangible assets, including capital assets identified as having indefinite useful lives or being internally generated, prior to July 1, 2009. All intangible assets acquired subsequent to July 1, 2009 are reported at historical cost.

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

Depreciation of all exhaustible fixed assets is recorded as a direct expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets.

Additions are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from accounts and changing the resulting gain or loss to income.

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

*Compensated Absences*

The Town permits employees to accumulate unused vacation time to a maximum of two times the amount earned based on length of service. Upon termination of employment, an employee will be paid for annual vacation leave accumulated to the date of separation, not to exceed a maximum of 40 days, plus any accumulated annual leave earned up to the time of termination during the calendar year. Sick leave is permitted to be accrued up to a maximum of 45 days, one-fifth of which will be paid to employees upon termination of employment. Comp time is permitted to be accrued with no maximum, but is paid down to 80 hours on the employees' anniversary date, all of which will be paid to employees in full upon termination of employment plus any accumulated comp time earned up to the time of termination during the calendar year.

The salary-related payments representing the employer's share of Social Security and Medicare taxes have been accrued. The vested annual leave is expensed as incurred in the appropriate funds.

*Deferred Revenues*

On governmental fund financial statements, tax receivables that were not collected within the available period and charges for services collected in advance are recorded as deferred revenues. Revenues received under reimbursable grant agreements are recognized in the period in which the qualified expenditures are incurred. Any unexpended funds are reported as deferred revenues.

*Debt Policies*

The Town's formal debt policy establishes authority and circumstances for which the Town can obtain short- and long-term debt financing, and includes provisions that annual debt service costs are not to exceed eight percent of the Town's operating expenditures and remaining

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

balances of long-term debt obligations are not to exceed 1.5% of the Town's net assessable base in any fiscal year new debt is incurred. For the year ended June 30, 2011, the Town had a new commercial loan and was within the provisions of the debt policy at issuance.

*Net Assets and Fund Balances*

In the government-wide financial statements, net assets are classified in the following categories:

*Investment In Capital Assets, Net of Related Debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

*Restricted Net Assets* - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Assets* - This category represents the net assets of the Town that are not restricted for any project or other purpose. However, these funds may be constrained for specific projects or purposes in the fund financial statements as discussed below.

Beginning with fiscal year 2011, the Town implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Nonspendable Fund Balance* - This category represents amounts that are not in spendable form (such as inventory and long-term receivables) or are required to be maintained intact.

*Restricted Fund Balance* - This category represents amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Committed Fund Balance* - This category represents amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

Assigned Fund Balance - This category represents amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned Fund Balance - This category represents amounts that are available for any purpose.

For the classification of fund balances, the Town considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balance, the Town considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used.

For committed fund balance, the Town's highest level of decision-making authority is the Mayor and Town Council. The formal action that is required to be taken to establish and modify or rescind a fund balance commitment is an ordinance.

For assigned fund balance, the Mayor and Town Council are authorized to assign amounts to a specific purpose. The authorization policy is a formal motion.

Budgets and Budgetary Analysis

The Town is required by the Town Code to adopt an annual budget for the general fund. The budget is presented on a basis consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at fiscal year end.

Once a budget is approved, it can be amended by the Mayor and Town Council with reasonable discretion, and several budget amendments were approved during the fiscal year ended June 30, 2011. Both original and final budgets have been included in the presentation of the Town's required supplementary information.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

*Subsequent Events*

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 14, 2011, the date the financial statements were available to be issued.

**Note 2. Deposits and Investments**

The deposits and investments held at June 30, 2011 are shown below:

<u>Type</u>	<u>Rating/Interest Rate</u> <u>(Unaudited)</u>	<u>Maturities</u> <u>(Unaudited)</u>	<u>Carrying</u> <u>Value</u>
Deposits			
Demand Deposits			\$226,420
Time Deposits		09/19/11-3/19/15	506,000
Cash on Hand			<u>200</u>
Total Deposits			<u>..732,620</u>
Investments			
State Investment Pool	AAAm by S&P/0.07%	50 Days Average	<u>..259,245</u>
Total Deposits and Investments			<u>\$991,865</u>

Reconciliation to Statement of Net Assets

Current Assets		
Pooled Cash and Cash Equivalents		
Unrestricted		\$232,204
Restricted		<u>27,041</u>
Total Pooled Cash and Cash Equivalents		<u>..259,245</u>
Non-Pooled Cash and Cash Equivalents		<u>..226,620</u>
Certificates of Deposit		<u>...52,000</u>
Total Current Assets		<u>..537,865</u>
Non-Current Assets		
Certificates of Deposit		<u>..454,000</u>
		<u>\$991,865</u>

The Town is a participant of the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the state an investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the state treasurer, has been managed by a single financial institution. An MLGIP advisory committee

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

of current participants reviews, on a quarterly basis, the activities of the fund and provides suggestions to enhance the pool. The fair value of the pool is the same as the value of the pool shares. As of June 30, 2011, all pool holdings are in cash and cash equivalents.

Restricted cash and cash equivalents at June 30, 2011 consists of \$27,041 held for Public Works Agreements. Restricted assets are classified as current when they are restricted for payment of current liabilities. Otherwise, they are non-current in nature.

The Town is governed by the deposit and investment limitations of Maryland law. The Town's formal investment policy does not limit its investment choices beyond the limitations of state law as follows:

1. An obligation for which the United States has pledged its faith and credit for the payment of the principal and interest;
2. An obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress;
3. A repurchase agreement collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer;
4. Bankers' acceptances guaranteed by a financial institution with a short-term debt rating in the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the United States Securities and Exchange Commission (SEC) or the Treasurer;
5. With respect to amounts treated by the Internal Revenue Service as bond sale proceeds only, bonds, notes, or other obligations of investment grade in the highest quality letter and numerical rating by at least one nationally recognized statistical rating organization as designated by the United States SEC issued by or on behalf of this or any other state or any agency, department, county, municipal or public corporation, special district, authority, or political subdivision thereof, or in any fund or trust that invests only in securities of the type described in this paragraph;
6. Commercial paper that has received the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by the United States SEC, provided that such commercial paper may not exceed five percent of the total investments made by the Treasurer under this subsection;

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

7. Money market mutual funds that:
  - a. contain only securities of the organizations listed in items (1), (2), and (3) of this subsection;
  - b. are registered with the United States SEC under the Investment Company Act (ICA) of 1940, 15 U.S.C. § 80a-1 et seq., as amended; and
  - c. are operated in accordance with Rule 2A-7 of the ICA of 1940, 17 C.F.R. § 270.2A-7, as amended;
8. Any investment portfolio created under the MLGIP defined under Article 95, § 22G of the Code that is administered by the Office of the State Treasurer;
9. A deposit of unexpended or surplus money over which the Treasurer has custody of with a financial institution in the state provided that:
  - a. the deposit is interest bearing; and
  - b. as provided for a depository for state money:
    - the financial institution provides collateral that has a market value that equals or exceeds the amount by which a deposit exceeds the deposit insurance; and
    - a custodian holds the collateral.

*Custodial Credit Risk*

Deposits in financial institutions, reported as components of non-pooled cash and cash equivalents and investments, had a bank balance of \$740,246 at June 30, 2011, \$104,000 of which was exposed to custodial credit risk. This amount was fully collateralized by securities pledged and held by a financial institution, not in the Town's name.

*Interest Rate and Credit Risk*

The Town's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates as follows: the Town will attempt to match its investments with anticipated cash flow requirements and unmatched investments are to be limited to securities maturing up to three years from the date of purchase. In addition, reserve funds may be invested in securities maturing up to five years from date of purchase if such maturity is made to precede or coincide with the expected need for funds and appropriate management approval. Maturities of investments held at June 30, 2011 are provided in the previous schedule.

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

The Town’s formal investment policy limits investment credit risk to the highest possible rating from at least one statistical rating organization designated by the SEC for Money Market Mutual Funds instruments. Credit ratings on investments held at June 30, 2011 are provided in the previous schedule.

*Concentration of Credit Risk*

The Town’s formal investment policy places the following limits on the maximum percent of portfolio it may invest in any one specific instrument, financial institution or issuer: 100% in United States Governmental Obligations and MLGIP, 90% in United States Government Agencies and Instrumentalities, Repurchase Agreements and Certificates of Deposit, and 50% in Money Market Mutual Funds instruments. At June 30, 2011, the Town had no concentration of credit risk.

**Note 3. Loan Receivable**

In December 2008, the Town entered into a note agreement with Caledonia, Inc. to finance one-half of the necessary accessibility alterations to the restaurant, with any project costs exceeding the contracted amounts being the responsibility of Caledonia, Inc. The note also includes \$5,000 in principal due to the Town for anticipated tax credits to be received in relation to the alterations, which will be curtailed by one-half of any shortfall in credits received. The note is due in monthly installments of principal and interest at an annual rate of five percent, and unpaid interest and principal is due on April 1, 2024.

Future minimum principal receipts under the loan and note agreements are as follows:

Year Ending <u>June 30,</u>	Governmental <u>Activities</u>
2012	\$ 2,812
2013	2,956
2014	3,107
2015	3,266
2016	3,433
2017-2021	19,987
2022-2024	<u>13,746</u>
	<u>\$49,307</u>

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**Note 4. Capital Assets and Depreciation**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Transferred to Active Status	Balance June 30, 2011
Governmental Activities					
Non-Depreciable Assets					
Construction in Process	\$ 109,835	\$ 23,472	\$ -	\$(4,917)	\$ 128,390
Land	<u>8,169,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,169,015</u>
Total Non-Depreciable Assets	<u>8,278,850</u>	<u>23,472</u>	<u>-</u>	<u>(4,917)</u>	<u>8,297,405</u>
Depreciable Assets					
Buildings and Improvements	7,157,140	30,399	-	-	7,187,539
Equipment	1,010,369	92,513	-	-	1,102,882
Infrastructure	10,354,679	109,891	-	-	10,464,570
Leasehold Improvements	76,517	14,080	-	4,917	95,514
Vehicles	<u>517,389</u>	<u>27,838</u>	<u>63,506</u>	<u>-</u>	<u>481,721</u>
Total Depreciable Assets	<u>19,116,094</u>	<u>274,721</u>	<u>63,506</u>	<u>4,917</u>	<u>19,332,226</u>
Total Capital Assets	<u>27,394,944</u>	<u>298,193</u>	<u>63,506</u>	<u>-</u>	<u>27,629,631</u>
Accumulated Depreciation					
Buildings and Improvements	2,687,859	302,139	-	-	2,989,998
Equipment	832,502	30,004	-	-	862,506
Infrastructure	2,101,192	554,445	-	-	2,655,637
Leasehold Improvements	3,966	7,467	-	-	11,433
Vehicles	<u>422,057</u>	<u>46,573</u>	<u>63,506</u>	<u>-</u>	<u>405,124</u>
Total Accumulated Depreciation	<u>6,047,576</u>	<u>940,628</u>	<u>63,506</u>	<u>-</u>	<u>6,924,698</u>
Total Capital Assets, Net	<u>\$21,347,368</u>	<u>\$(642,435)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$20,704,933</u>

Accumulated costs attributable to projects included in construction in progress in governmental activities at June 30, 2011 are as follows:

South Branch Park Improvements	\$ 12,584
House Relocation	<u>115,806</u>
	<u>\$128,390</u>

Depreciation expense for the year ended June 30, 2011, including amortization expense on assets under capital lease, was charged to the governmental activities function as follows:

General Government	\$ 12,677
Public Safety	46,491
Public Works	617,300
Recreation and Parks	35,928
Historic Buildings	<u>228,232</u>
	<u>\$940,628</u>

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**Note 5. Capital Lease Obligations**

The Town entered into a lease agreement for a police vehicle in October 2009. The obligation is secured by the vehicle with an interest rate of 7.1%.

At June 30, 2011, future minimum payments required under the lease and the present value of minimum capital lease payments were as follows for the years ending June 30:

	Governmental <u>Activities</u>
2012	\$ 7,774
2013	<u>7,775</u>
Total Minimum Lease Payments	15,549
Less: Amount Representing Interest	<u>1,512</u>
Present Value of Minimum Lease Payments Due Under Capital Leases included in General	
Long-Term Debt	14,037
Less: Current Portion	<u>6,777</u>
Long-Term Portion	<u>\$ 7,260</u>

Equipment under capital lease included in capital assets at June 30, 2011, includes the following:

	Governmental <u>Activities</u>
Vehicles	\$27,703
Less: Accumulated Depreciation	<u>9,696</u>
	<u>\$18,007</u>

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**Note 6. Long-Term Debt**

Loans and bonds payable at June 30, 2011 consist of the following:

	<u>Governmental Activities</u>
<b>Loans Payable</b>	
2010 Dodge Charger Commercial Loan; principal and interest due in annual installments of \$6,302; 6.5% annual interest rate; matures July 2014; secured by equipment under loan.	\$.....21,561
<b>Bonds Payable</b>	
2002 Series A Infrastructure Bonds - Parking Lot Construction; due in annual principal installments, ranging from \$25,700 to \$36,200, through May 2017; interest rates ranging from 3% to 4.55%; secured by the credit and taxing power of the Town.	195,300
2005 Series A Infrastructure Bonds - Police Station Construction; due in annual principal installments, ranging from \$18,400 to \$28,200, through May 2020; interest rates ranging from 3.75% to 4%; secured by the credit and taxing power of the Town.	216,000
2008 General Obligation Bonds; due in annual principal installments, ranging from \$56,630 to \$95,540, through June 2023; 3.46% annual interest rate; secured by the credit and taxing power of the Town.	<u>957,428</u>
<b>Total Bonds Payable</b>	<u>1,368,728</u>
<b>Total Loans and Bonds Payable</b>	<u>\$1,390,289</u>

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

<u>Type of Debt</u>	Balance July 1, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2011</u>	Due Within <u>One Year</u>
Governmental Activities Long-Term Debt					
Loans Payable					
Train Station	\$ 9,025	\$ -	\$ 9,025	\$ -	\$ -
2010 Dodge Charger	<u>-</u>	<u>27,838</u>	<u>6,277</u>	<u>21,561</u>	<u>4,896</u>
Total Loans Payable	.....9,025	..27,838	...15,302	.....21,561	.....4,896
Bonds Payable					
2002 Infrastructure Bonds	223,400	-	28,100	195,300	29,100
2005 Infrastructure Bonds	235,700	-	19,700	216,000	20,300
2008 General Obligation Bonds	<u>1,020,949</u>	<u>-</u>	<u>63,521</u>	<u>957,428</u>	<u>65,718</u>
Total Bonds Payable	..1,480,049	.....-	..111,321	..1,368,728	..115,118
Total Loans and Bonds Payable	..1,489,074	..27,838	..126,623	..1,390,289	..120,014
Capital Lease Obligations	.....20,366	.....-	.....6,329	.....14,037	.....6,777
Compensated Absences	.....119,678	.....1,084	.....-	.....120,762	.....-
Total Governmental Activities Long-Term Debt	<u>\$1,629,118</u>	<u>\$28,922</u>	<u>\$132,952</u>	<u>\$1,525,088</u>	<u>\$126,791</u>

Other long-term liabilities in governmental activities are liquidated from general revenues in the General Fund.

Interest and related costs incurred for governmental activities for the year ended June 30, 2011 was \$58,294, all of which was expensed.

The principal and interest requirements to maturity of the loan and bonds payable debt are as follows:

Year Ending <u>June 30,</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 120,014	\$ 52,013
2013	124,893	47,418
2014	129,292	42,382
2015	134,796	37,506
2016	133,897	32,190
2017-2021	559,512	89,817
2022-2023	<u>187,885</u>	<u>9,807</u>
	<u>\$1,390,289</u>	<u>\$311,133</u>

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**Note 7. Net Assets and Fund Balances**

The following is a summary of General Fund nonspendable fund balances as of June 30, 2011:

Due from Component Unit	\$120,049
Prepaid Expenses	25,262
Note Receivable	<u>49,307</u>
	<u>\$194,618</u>

The following is a summary of restricted net assets and fund balances as of June 30, 2011:

Public Works Agreements	<u>\$27,041</u>
-------------------------	-----------------

*Public Works Agreements* - Net assets and fund balances in the governmental activities and General Fund, respectively, are restricted for unspent amounts received by the Town in relation to various Public Works Agreements for maintenance, improvements, and related costs and fees.

The following is a summary of General Fund assigned fund balances as of June 30, 2011:

Budgetary Reserve	\$161,511
Development Inspection Fees	1,090
Gate House Museum	43,513
Historic Commission	8,071
Historic Schoolhouse	1,140
House Relocation	31,458
Impact Fees	22,943
Little Sykes Railroad	7,214
Main Street	1,775
Military Memorial	2,000
Parks and Recreation	17,441
Schoolhouse Road	3,051
Unemployment Reserve	<u>5,756</u>
	<u>\$306,963</u>

**Note 8. Property Taxes**

The Mayor and Town Council hold an annual public hearing each year for the residents to voice their opinion on the proposed tax rate and the annual budget. Property taxes are levied as of July 1<sup>st</sup>, on the assessed value listed as of the same date for all real property located in the Town. From the effective date of the budget, the amount stated thereon as the amount to be raised by the property tax shall constitute a determination of the amount of the tax levy in the corresponding tax year. Taxes shall be due and payable on July 1<sup>st</sup> on the year for which

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

they are levied and shall be overdue and in arrears on the first day of October, where they will accrue two-thirds of one percent interest per month unpaid and the Town has the ability to place liens against the properties.

**Note 9. South Branch Park Cooperative Agreement and Lease**

On December 14, 2006, the Town entered into an agreement with Howard County, Maryland (the “County”). The County owns 9.578 acres of land presently improved with four historic structures: a brick warehouse, a weight station, a wooden water tower, and the Sykes Mill stone house (collectively referred to as the “Historic Structures”) situated on the Howard County side of South Branch Patapsco River, Sykesville, Howard County (the “Property”). The County and Town desire to create a recreational area to be used primarily for recreation, historic, and cultural purposes and to preserve, rehabilitate, and operate for public use the Historic Structures on the Property.

The County agreed to lease the Property to the Town for a term of 35 years, beginning on the execution of the Cooperative Agreement and ending on December 1, 2041. There are no rental charges for the first five years of the Cooperative Agreement. Commencing on the sixth anniversary, the Town shall pay an annual rent in the amount of one dollar and shall split the net revenue from the Property’s operation, 70% to the Town and 30% to the County. Upon early termination, the Town shall not be reimbursed for any profits which may have been anticipated but which have not been earned up to the date of termination.

As part of the Cooperative Agreement, the Town will perform rehabilitation of the Historic Structures and improvements to the Property, as well as construct utilities, driveways, and parking areas. The Cooperative Agreement’s schedule of restoration provides the following timeline:

<u>Historic Structure</u>	<u>Cooperative Agreement Completion Date By</u>
Brick Warehouse	December 14, 2011
Stone House/Former Mill Office	December 14, 2013
Weight Station	December 14, 2015
Recreational Areas	December 14, 2016
Water Tower	December 14, 2017

The County reserves the right to terminate the Cooperative Agreement upon giving 120 days written notice to the Town. Upon termination the County will reimburse the Town for reasonable cost of construction and rehabilitation if deemed acceptable by the County.

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

The County may provide up to \$100,000 for planning, renovating, and stabilizing the Historic Structures and developing of the Property, \$30,000 of which was advanced to the Town in 2008. As of June 30, 2011, \$70,000 remains available to the Town, \$18,945 of which has been incurred in expenses by the Town through June 30, 2011 but not yet sought for reimbursement. The Town is required to match funding provided by the County dollar for dollar or in value of services rendered for improvements to the property, which are anticipated to be met by the Town through expenditures reimbursable by a \$100,000 grant through the State.

**Note 10. Warfield Development Corporation Transactions and Agreements**

As discussed in Note 1, the Warfield Development Corporation (WDC) is a component unit of the Town. In prior fiscal years, the Town served as a subrecipient for the WDC, for various funding sources, for the re-development of the Warfield Complex. In January 2005, the Town entered into a 95-year master ground lease with the WDC for the Warfield Complex for re-development and preservation of historic nature, which will expire in December 2099. Rental payments due under the lease are contingent upon cash flow, as defined by the agreement, generated by the operation of the complex as follows: 100% of net cash flows after 75% of gross cash flows have been distributed to the Maryland Department of Health and Mental Hygiene, for benefit of the Community Trust Fund, up to the fund reaching \$1,000,000, after which point the Town will receive 50% of gross cash flows generated from the operation of the complex. For the year ended June 30, 2011, no rental payments were made under this agreement.

Upon incorporation and formal organization in 2005, the WDC began to directly receive the funding. As part of the subrecipient capacity, the Town advanced funds to cover architectural, engineering, legal, and development costs for the complex. In February 2005, the WDC entered into a repayment agreement with the Town for the advanced funds, with payment due in annual principal installments plus interest at a fixed rate of three percent per annum on April 30<sup>th</sup>, and any unpaid principal and interest due after that date is added to the outstanding principal. The loan matures in April 2033, with all outstanding principal and interest due and payable at that time. The note is payable based on net income and net proceeds generated, which is defined in the agreement. At June 30, 2011, the loan value is \$120,049.

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

Future minimum receipts under the note are as follows:

<u>Year Ending June 30.</u>	<u>Governmental Activities</u>
2012	\$ 5,457
2013	5,457
2014	5,457
2015	5,457
2016	5,457
2017-2021	27,284
2022-2026	27,284
2027-2031	27,284
2032-2033	<u>10,912</u>
	<u>\$120,049</u>

In addition, the Town, from time to time, serves as the primary vendor for Warfield Complex activities, and amounts incurred on behalf of the WDC of \$69,139 as of June 30, 2011 are due on demand. There are no stated interest terms on these inter-entity loans, and no amounts are anticipated to extend beyond one year.

In February 2005, the Town entered into a promissory note with the WDC, which was approved by the Carroll County Commissioners (CCC), for joint promise to pay the maturing principal and interest on a County Trust Fund loan of \$1,097,680 for the relocation of the MD-851/MD-32 intersection, all of which have been dispersed. The loan bears a simple interest rate of three percent per annum, which will accrue on the principal balance outstanding beginning on February 2005 and is due annually on April 30<sup>th</sup>. Payments are due and payable on an annual basis with the final maturity being on or before April 30, 2030.

The promissory note subsequently assigns the responsibility of repayment on the debt to the WDC based on the County Deed of Trust, and that neither the WDC nor DBED are able to seek any judgment for a deficiency of repayment against the Town.

**Note 11. Deferred Compensation Plans**

The Town, in accordance with Town Council approval, has two deferred compensation plans created in accordance with Internal Revenue Code Sections 457(b) and 401(a), respectively. Both plans are available to all full-time employees. The 457(b) and 401(a) plans have 12 and 18 active participants, respectively, as of June 30, 2011.

The 457(b) plan permits employees to defer a portion of their salary until future years, which the employees are fully vested in upon contribution. Employees can defer the lesser of \$16,500,

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

adjusted for cost-of-living after 2011 and up to an additional \$5,000 catch-up for employees age 50 or over, or 100% of their includable salaries over the plan year. No Town contributions were made to the 457(b) plan for the year ended June 30, 2011.

The 401(a) plan, effective July 1, 2005, permits the Town to contribute five percent to ten percent of eligible employees' salary to a maximum of \$46,000 per employee, adjusted for inflation after 2011, to this plan based on qualified years of service, as well as a longevity lump-sum bonus based on attained years of service ranging from \$3,000 to \$13,000 and an additional five percent of the eligible employees' salary. The Town contributed \$105,233 to the 401(a) plan for the year ended June 30, 2011. Employee vesting in these contributions is based on years of service, reaching 100% after four years of qualified service.

All amounts of compensation deferred under the plans and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose. The Plan Administrator, Nationwide Retirement Solutions, is the trustee of the investments.

**Note 12. Concentrations and Economic Dependencies**

The Town provides various services to its residents. The Town is located in Carroll County, Maryland. Credit is granted to its residents for taxes. The Town may place a lien on any property associated with unpaid taxes, therefore an allowance for uncollectible amounts is not considered necessary.

**Note 13. 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. The Town purchases commercial insurance coverage for these types of losses, including workers' 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.

The Town self-insures against risks of loss in relation to unemployment compensation, as determined and required by the State, and maintains assigned funds for potential claim settlements.

The Town is a member in the Local Government Insurance Trust (LGIT), which is owned and directed by local governments (participants) that subscribe to its insurance coverages. The LGIT is managed by a Board of Trustees and a contract administration company. The trustees

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

are elected by a majority vote of the participants with each participant having one vote. The Town does not exercise any control over the LGIT's operations.

The maximum coverage under the liability pool of the LGIT is \$1,000,000 per claim. The Town also participates in an excess liability pool, which has maximum coverage of \$2,000,000.

**Note 14. Commitments and Contingencies**

The Town participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by the appropriate grantor government, but the Town believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Town.

The Town is committed under the following contracts for purchases and construction projects as of June 30, 2011:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Outstanding as of June 30, 2011</u>
Stone House Stabilization	\$51,833	\$46,861

**Note 15. Environmental Concerns and Pollution Remediation Obligations**

Several of the Warfield Complex buildings contain asbestos, and the estimated cost of asbestos abatement, based on a study performed in 1995, was \$370,200. No subsequent studies have been performed. The ground lease between the Town and the WDC assigns the obligation for redevelopment and abatement to the WDC. However, if contamination occurred, the Town could become liable for the cost of abatement; though it is improbable that such an event would occur since the affected buildings are uninhabited and secured. Management has not measured the effects of implementation of GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, on its financial statements, which addresses recognition of pollution remediation liabilities and related disclosures.

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**Note 16. New Governmental Accounting Standards Board Pronouncements**

The GASB has issued several pronouncements prior to the year ended June 30, 2011 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Town:

GASB Statement No. 57, *Other Post-Employment Benefits (OPEB) Measurements by Agency Employers and Agent Multiple-Employer Plans*, will be effective for the Town as of July 1, 2011. The objective of this statement is to establish the frequency and timing of actuarial-determined, as applicable, measurements by employers that participate in agent multiple-employer OPEB plans.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, will be effective for the Town as of July 1, 2012. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements (SCA's) which are a type of public-private or public-public partnership between a transferor (the government) and an operator where the transferor (1) conveys the right and related obligation to provide services through the use of infrastructure or another public asset to an operator and (2) the operator collects and is compensated by fees from third parties.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and 34*, will be effective for the Town as of July 1, 2012. The objective of this statement is to improve financial reporting for a governmental financial reporting entity specifically through revisions to criteria and presentation determination for component units of a primary government. The standard will require additional analysis in relation to financial benefit/burden relationships, including financial accountability, of the parties and operational responsibility as well as consideration of inclusion/exclusion of the component unit as misleading to the financial statement readers.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will be effective for the Town as of July 1, 2012. The objective of this statement is to standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position, previously defined as net assets. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

**TOWN OF SYKESVILLE, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53*, will be effective for the Town as of July 1, 2011. The objective of this statement is to enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced.

**Note 17. Subsequent Events**

On October 11, 2011, the Mayor and Town Council awarded a contract in the amount of \$110,955 to pave the Town House and Sandosky parking lots.

**REQUIRED SUPPLEMENTARY INFORMATION**

## TOWN OF SYKESVILLE, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

## UNAUDITED

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Taxes	\$ 1,736,750	\$ 1,736,750	\$ 1,770,474	\$ 33,724
Intergovernmental	460,498	497,033	422,670	(74,363)
Charges for Services	48,500	61,172	345,292	284,120
Licenses and Permits	46,550	47,150	57,633	10,483
Fines and Forfeitures	750	2,350	4,500	2,150
Interest Income and Rents	57,625	57,625	69,020	11,395
Miscellaneous	19,100	19,100	31,427	12,327
<b>TOTAL REVENUES</b>	<b>2,369,773</b>	<b>2,421,180</b>	<b>2,701,016</b>	<b>279,836</b>
<b>EXPENDITURES</b>				
General Government	448,118	440,258	431,832	8,426
Public Safety	435,948	445,822	456,458	(10,636)
Public Works	489,016	484,516	494,769	(10,253)
Recreation and Parks	65,360	67,860	65,781	2,079
Post Office	60,482	61,982	324,468	(262,486)
Historic Buildings	25,807	29,807	28,507	1,300
Miscellaneous	395,866	426,916	425,675	1,241
Debt Service	182,601	182,601	188,252	(5,651)
Capital Outlays	342,500	436,918	298,193	138,725
<b>TOTAL EXPENDITURES</b>	<b>2,445,698</b>	<b>2,576,680</b>	<b>2,713,935</b>	<b>(137,255)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(75,925)</b>	<b>(155,500)</b>	<b>(12,919)</b>	<b>142,581</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Debt Issuance	-	-	27,838	27,838
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>	<b>27,838</b>	<b>27,838</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>(75,925)</b>	<b>(155,500)</b>	<b>14,919</b>	<b>170,419</b>
Fund Balance - Beginning of Year	1,225,140	1,225,140	1,225,140	-
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 1,149,215</b>	<b>\$ 1,069,640</b>	<b>\$ 1,240,059</b>	<b>\$ 170,419</b>