

THE TOWN OF SYKESVILLE, MARYLAND
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013



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

INDEPENDENT AUDITORS' REPORT

October 16, 2013

Honorable Mayor and Members of the Town Council
The 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, 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.

Auditors' Responsibility

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

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

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

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

Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit and Qualified Opinion on Aggregate Remaining Fund Information

The financial statements referred to above do not include financial data for the Town's legally separate component unit. Accounting principles generally accepted in the United States of America require 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.

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of The Town of Sykesville, Maryland as of June 30, 2013, or the changes in financial position thereof for the year then ended.

Basis for Qualified Opinion on Governmental Activities

As discussed in Note 14 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 position, and expenses of the governmental activities is not reasonably determinable.

Qualified Opinion on Governmental Activities

In our opinion, except for the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of The Town of Sykesville, Maryland as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of The Town of Sykesville, Maryland as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the *management’s discussion and analysis* and *budgetary comparison information* on pages 4 through 13 and 44, respectively, 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.

Westminster, Maryland

THE TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
UNAUDITED

This discussion and analysis of The Town of Sykesville, Maryland's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2013. 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.

NEW ACCOUNTING PRONOUNCEMENT IMPLEMENTED

The following summarizes GASB Statements implemented by the Town during the year ended June 30, 2013 and the relating effects on the financial statements presentation and disclosure, as applicable:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* - Statement No. 60 provides financial reporting guidance for service concession arrangements, defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from this parties. This statement was effective for periods beginning after December 15, 2011, and was implemented by the Town as of July 1, 2012 with no significant effect on financial statements presentation or disclosure.

GASB Statement No. 61, *the Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and 34* - Statement No. 61 provides additional criteria to governments for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement was effective for periods beginning after June 15, 2012, and was implemented by the Town as of July 1, 2012 with no significant effect on financial statements presentation or disclosure.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* - Statement No. 63 provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position, and includes five components - assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement was effective for periods beginning after December 15, 2011, and was implemented by the Town as of July 1, 2012 with no significant effect on financial statements presentation or disclosure apart from renaming and presentation of the new categories.

FINANCIAL HIGHLIGHTS

1. The assets of the Town's governmental activities exceeded its liabilities at the close of the most recent fiscal year (FY) by \$19,671,302.
2. The Town's total net position decreased by \$389,984. This was primarily due to the large amount of depreciation on the Town's capital assets.
3. In March of 2013, the Town approved a fund balance policy that established a Stabilization Reserve to protect the Town against significant unanticipated budget shortfalls. The policy requires a stabilization amount of at least 12% of the average actual General Fund audited expenditures, less capital outlays, for the preceding five years.
4. As part of the policy, the Town also maintains a Capital Reserve of at least \$250,000. The purpose of this reserve is to have guaranteed funds available for capital projects or one-time purchases greater than \$5,000, to provide funds for planned and anticipated projects, and to allow for completion of projects in a timely manner that is not dependent on Town cash flow.
5. As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,504,828, an increase of \$178,790 over prior year balances of \$1,326,038. Approximately \$685,803 or 46% of this total amount constitutes unassigned fund balance; \$529,804 of which relates to cash balances available for spending at the Town's discretion. The Stabilization Reserve constitutes \$289,758 of the cash balance available for spending.
6. At the May 29, 2012 Mayor and Town Council meeting, Matthew Candland, the Town Manager, tendered his resignation effective July 1, 2012. The Mayor and

THE TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
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Town Council hired a replacement, Dawn Ashbacher, who started November 13, 2012.

7. The Town purchased a new public works pick-up truck and a police car. Both vehicles were funded by current operations.
8. The Town of Sykesville, Maryland applied for and received designation as a "Sustainable Community" by the Maryland Department of Housing and Community Development. Although not a direct funding source, this designation gives the Town a higher priority on some grants and qualifies it to participate in others that would not be available without the designation. It is hoped that this will greatly aid in the revitalization and appeal of our downtown area.
9. The Town strengthened its partnership with Howard County to administer a grant from the State of Maryland to make improvements to South Branch Park. While limited expenditures were made in FY 13, increased activity is anticipated in FY 14.
10. In October of 2012, the Town paid off the 2002 CDA Bond using unrestricted funds. The payoff amount was \$167,232, and saved the Town approximately \$18,700 in debt service payments.
11. The Mayor and Town Council approved the sale of the relocated house at 732 Oklahoma Avenue in FY 12, and then discovered in FY 13 that there were issues with the State of Maryland that had to be resolved. The closing is now anticipated in late FY 14 or FY 15.

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.

THE TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The statement of net position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them 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 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 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 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, post office, and historic building functions. 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.

THE TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
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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.

The Town maintains one individual governmental fund, the General Fund. 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 Fund.

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 in the required supplementary information to the financial statements.

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 position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$19,671,302 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (almost 93%) 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
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themselves cannot be used to liquidate these liabilities. Our following analysis focuses on the net position and changes in net position of the Town's governmental activities (certain reclassifications have been made to prior year amounts to conform to the current year presentation):

CONDENSED STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

	<u>Governmental</u>		<u>Total</u>	
	<u>Activities</u>		<u>Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets				
Current and Other Assets	\$ 1,798,834	\$ 1,585,808	\$ 1,798,834	\$ 1,585,808
Capital Assets, Net	<u>19,217,847</u>	<u>20,088,756</u>	<u>19,217,847</u>	<u>20,088,756</u>
Total Assets	<u>21,016,681</u>	<u>21,674,564</u>	<u>21,016,681</u>	<u>21,674,564</u>
Liabilities				
Long-Term Debt	968,825	1,235,824	968,825	1,235,824
Other Liabilities	<u>376,554</u>	<u>377,454</u>	<u>376,554</u>	<u>377,454</u>
Total Liabilities	<u>1,345,379</u>	<u>1,613,278</u>	<u>1,345,379</u>	<u>1,613,278</u>
Net Position				
Net Investment in Capital Assets	18,227,172	18,831,255	18,227,172	18,831,255
Restricted	22,996	25,412	22,996	25,412
Unrestricted	<u>1,421,134</u>	<u>1,204,649</u>	<u>1,421,134</u>	<u>1,204,649</u>
Total Net Position	<u>\$19,671,302</u>	<u>\$20,061,286</u>	<u>\$19,671,302</u>	<u>\$20,061,286</u>

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 position.

THE TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
UNAUDITED

CONDENSED STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>Governmental</u>		<u>Total</u>	
	<u>Activities</u>		<u>Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
REVENUES				
Program Revenues				
Charges for Services	\$280,362	\$331,653	\$280,362	\$331,653
Operating Grants and Contributions	94,802	160,406	94,802	160,406
Capital Grants and Contributions	29,317	42,763	29,317	42,763
General Revenues				
Income Taxes	591,551	558,951	591,551	558,951
Real Estate Taxes	1,292,904	1,194,739	1,292,904	1,194,739
Property Taxes	34,513	36,748	34,513	36,748
Other Taxes	781	759	781	759
Unrestricted Grants, Contributions, and Franchise Fees	318,006	310,403	318,006	310,403
Interest and Rents	23,400	22,477	23,400	22,477
Miscellaneous	119,657	9,673	119,657	9,673
TOTAL REVENUES	<u>\$2,785,293</u>	<u>\$2,668,572</u>	<u>\$2,785,293</u>	<u>\$2,668,572</u>
PROGRAM EXPENSES				
General Government	602,566	572,540	602,566	572,540
Public Safety	626,564	597,409	626,564	597,409
Public Works	1,359,472	1,197,601	1,359,472	1,197,601
Recreation and Parks	143,093	124,061	143,093	124,061
Post Office	147,178	222,686	147,178	222,686
Historic Buildings	251,730	267,770	251,730	267,770
Interest on Long-Term Debt	44,674	53,444	44,674	53,444
TOTAL PROGRAM EXPENSES	<u>3,175,277</u>	<u>3,035,511</u>	<u>3,175,277</u>	<u>3,035,511</u>
CHANGE IN NET POSITION	<u>(\$389,984)</u>	<u>(\$366,939)</u>	<u>(\$389,984)</u>	<u>(\$366,939)</u>

THE TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
UNAUDITED

Governmental activities. For the year ended June 30, 2013, governmental activities decreased the Town's net position by \$389,984, primarily due to the large amount of depreciation on the Town's capital assets.

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 \$1,504,828, an increase of \$178,790 in comparison with the prior year. Approximately \$685,803 or 46% constitutes unassigned fund balance, of which \$529,804 relates to cash balances available for spending at the Town's discretion. The Stabilization Reserve constitutes \$289,758 of the cash available for spending.

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 the Mayor and Town Council, primarily to reclass budgeted expenditures to other cost centers and budget the payoff of the 2002 CDA Bond for \$167,232 from unrestricted funds.

THE TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
UNAUDITED

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

- Tax revenue received exceeded the budget by \$73,039 largely due to the higher than anticipated revenue from income taxes.
- Intergovernmental revenues received were under budget by \$416,349 due to actual South Branch Park project work relating to reimbursable agreements being limited in FY 13. The amount budgeted for South Branch Park funding was \$406,000.
- Expenditures for Capital Outlays were under budgeted by \$481,746 largely due to the little or no expenditure activity for South Branch Park improvements in FY 13.
- Charges for Services exceeded the budgeted amount by \$146,984 as a result of the procedure for receiving and depositing amounts collected at the Post Office, which were unbudgeted.
- The Post Office expenditures exceeded the budget by \$95,337 as a result of the procedures for obtaining postal supplies, which were unbudgeted.
- Public Works ended the year under budget by \$43,613, due in part to the mild winter of FY 13, which saved in snow related costs, and reduced expenditures for salaries as a result of position vacancies.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2013, amounted to \$19,217,847 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, park facilities, historic buildings, infrastructure, leasehold improvements at the South Branch Park, and parking lots. The total net decrease in the Town's investment in capital assets for the current fiscal year was \$870,909, primarily due to depreciation.

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

**THE TOWN OF SYKESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
UNAUDITED**

Debt. The following summarizes the Town's outstanding debt as of June 30, 2013:

	<u>Governmental Activities</u>	<u>Total</u>
Loans Outstanding	\$ 5,914	\$ 5,914
General Obligation Bonds	<u>998,218</u>	<u>998,218</u>
Total Debt	<u>\$1,004,132</u>	<u>\$1,004,132</u>

The Town's total debt decreased by 22% during the current fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The following factors were considered in preparing the Town's budget for the 2014 fiscal year:

- The current tax rate was maintained at 0.35 per \$100 of assessed value.
- The FY 14 Budget was balanced without use of prior year's fund balance reserve.
- The Town did not feel it was necessary to increase the tax rate based on the constant yield tax rate. As a result, there was a slight decrease in budgeted real estate tax revenue (2%) due to the decreased assessable base for FY 14.
- The State of Maryland approved a one-time grant in FY 14 for Highway User Revenue. The FY 14 Budget reflects the Town's grant, resulting in an \$80,060 increase in Highway User Revenue.

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: The Town of Sykesville, 7547 Main Street, Sykesville, MD 21784.

THE TOWN OF SYKESVILLE, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	
Unrestricted	\$ 788,194
Restricted	33,071
Certificates of Deposit	354,000
Accounts Receivable	16,944
Taxes Receivable	61,892
Grants Receivable	72,361
Due from Other Governments	7,761
Due from Component Unit	157,513
Accrued Interest Receivable	618
Prepaid Expenses	28,492
Current Portion of Notes Receivable	<u>3,107</u>
TOTAL CURRENT ASSETS	<u>1,523,953</u>
NON-CURRENT ASSETS	
Certificates of Deposit	<u>100,000</u>
Due from Component Unit	<u>120,991</u>
Notes Receivable	<u>40,433</u>
Bond Issue Costs (Net of Accumulated Amortization)	<u>13,457</u>
Property and Equipment	
Construction in Progress	45,904
Land	8,169,015
Buildings and Improvements	7,356,480
Equipment	1,108,582
Infrastructure	10,582,501
Leasehold Improvements	95,514
Vehicles	<u>728,122</u>
	28,086,118
Less: Accumulated Depreciation	<u>8,868,271</u>
Net Property and Equipment	<u>19,217,847</u>
TOTAL NON-CURRENT ASSETS	<u>19,492,728</u>
TOTAL ASSETS	<u>21,016,681</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>

See Accompanying Notes

THE TOWN OF SYKESVILLE, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	212,330
Accrued Payroll and Related Benefits	33,889
Accrued Compensated Absences	24,338
Unearned Revenues	3,577
Current Portion of Bonds Payable	92,345
Payable from Restricted Assets	
Amounts Held in Escrow	<u>10,075</u>
TOTAL CURRENT LIABILITIES	<u>376,554</u>
NON-CURRENT LIABILITIES	
Accrued Compensated Absences	57,038
Loan Payable	5,914
Bonds Payable	<u>905,873</u>
TOTAL NON-CURRENT LIABILITIES	<u>968,825</u>
TOTAL LIABILITIES	<u>1,345,379</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION	
Net Investment in Capital Assets	18,227,172
Restricted	22,996
Unrestricted	<u>1,421,134</u>
TOTAL NET POSITION	<u><u>\$ 19,671,302</u></u>

See Accompanying Notes

THE TOWN OF SYKESVILLE, MARYLAND

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
PRIMARY GOVERNMENT						
Governmental Activities						
General Government	\$ 602,566	\$ 48,378	\$ -	\$ -	\$ (554,188)	\$ (554,188)
Public Safety	626,564	914	37,519	-	(588,131)	(588,131)
Public Works	1,359,472	108,782	33,439	29,317	(1,187,934)	(1,187,934)
Recreation and Parks	143,093	2,275	8,341	-	(132,477)	(132,477)
Post Office	147,178	119,723	-	-	(27,455)	(27,455)
Historic Buildings	251,730	290	15,503	-	(235,937)	(235,937)
Interest on Long-Term Debt	44,674	-	-	-	(44,674)	(44,674)
TOTAL PRIMARY GOVERNMENT	\$ 3,175,277	\$ 280,362	\$ 94,802	\$ 29,317	(2,770,796)	(2,770,796)
GENERAL REVENUES						
Taxes						
					591,551	591,551
					1,292,904	1,292,904
					34,513	34,513
					781	781
Grants, Contributions, and Cable Franchise						
					318,006	318,006
					23,400	23,400
					119,657	119,657
TOTAL GENERAL REVENUES						
					2,380,812	2,380,812
CHANGES IN NET POSITION						
					(389,984)	(389,984)
					20,061,286	20,061,286
NET POSITION - END OF YEAR						
					\$ 19,671,302	\$ 19,671,302

See Accompanying Notes

THE TOWN OF SYKESVILLE, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and Cash Equivalents		
Unrestricted	\$ 788,194	\$ 788,194
Restricted	33,071	33,071
Certificates of Deposit	454,000	454,000
Accounts Receivable	16,944	16,944
Taxes Receivable	61,892	61,892
Grants Receivable	72,361	72,361
Due from Other Governments	7,761	7,761
Due from Component Unit	278,504	278,504
Prepaid Expenses	28,492	28,492
Notes Receivable	43,540	43,540
Accrued Interest Receivable	618	618
	<u>1,785,377</u>	<u>1,785,377</u>
TOTAL ASSETS	<u>1,785,377</u>	<u>1,785,377</u>
 DEFERRED OUTFLOWS OF RESOURCES	 -	 -
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u><u>\$ 1,785,377</u></u>	 <u><u>\$ 1,785,377</u></u>

See Accompanying Notes

THE TOWN OF SYKESVILLE, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General Fund</u>	<u>Total Governmental Funds</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 212,330	\$ 212,330
Accrued Payroll and Related Benefits	30,229	30,229
Accrued Compensated Absences	24,338	24,338
Unearned Revenues	3,577	3,577
Payable from Restricted Assets Amounts Held in Escrow	10,075	10,075
TOTAL LIABILITIES	280,549	280,549
DEFERRED INFLOWS OF RESOURCES	-	-
FUND BALANCES		
Nonspendable	199,391	199,391
Restricted	22,996	22,996
Assigned	596,638	596,638
Unassigned	685,803	685,803
TOTAL FUND BALANCES	1,504,828	1,504,828
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,785,377	\$ 1,785,377

See Accompanying Notes

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

JUNE 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,504,828
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	19,217,847
Bond issue costs are reported as expenditures in the year incurred in the fund financial statements.	13,457
Long-term compensated absences are not payable in the current period and, therefore, are reported as wages in the period during which the absence occurs in the fund financial statements.	(57,038)
Long-term liabilities, including bonds payable, loans payable, and interest payable, are not due and payable in the current period, and, therefore, are not reported in the fund financial statements.	<u>(1,007,792)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 19,671,302</u></u>

See Accompanying Notes

THE TOWN OF SYKESVILLE, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Total Governmental Funds
REVENUES		
Taxes	\$ 1,919,749	\$ 1,919,749
Intergovernmental	366,096	366,096
Charges for Services	217,628	217,628
Licenses and Permits	65,607	65,607
Fines and Forfeitures	884	884
Interest Income and Rents	71,828	71,828
Miscellaneous	143,501	143,501
TOTAL REVENUES	2,785,293	2,785,293
EXPENDITURES		
General Government	479,665	479,665
Public Safety	433,261	433,261
Public Works	631,202	631,202
Recreation and Parks	85,264	85,264
Post Office	147,178	147,178
Historic Buildings	23,896	23,896
Miscellaneous	384,620	384,620
Debt Service	313,405	313,405
Capital Outlays	108,012	108,012
TOTAL EXPENDITURES	2,606,503	2,606,503
NET CHANGES IN FUND BALANCES	178,790	178,790
Fund Balances - Beginning of Year	1,326,038	1,326,038
FUND BALANCES - END OF YEAR	\$ 1,504,828	\$ 1,504,828

See Accompanying Notes

THE 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, 2013

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 178,790
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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	108,012
Less: Depreciation Expense	(978,921)

Repayments of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	268,202
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Amortization of bond issue costs.	(1,346)
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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 fund financial statements. These expenses include the change in:

Accrued Compensated Absences	33,404
Accrued Interest Payable	1,875

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(389,984)</u>
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THE 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).

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, 2013.

New Accounting Pronouncements Adopted

The following summarizes GASB Statements implemented by the Town during the year ended June 30, 2013 and the relating effects on the financial statements presentation and disclosure, as applicable:

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* - Statement No. 60 provides financial reporting guidance for service concession arrangements, defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from this parties. This statement was effective for periods beginning after December 15, 2011, and was implemented by the Town as of July 1, 2012 with no significant effect on financial statements presentation or disclosure.

GASB Statement No. 61, *the Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and 34* - Statement No. 61 provides additional criteria to governments for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement was effective for periods beginning after June 15, 2012, and was implemented by the Town as of July 1, 2012 with no significant effect on financial statements presentation or disclosure.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* - Statement No. 63 provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position, and includes five components - assets, deferred outflows of resources, liabilities, deferred inflows of recourses, and net position. This statement was effective for periods beginning after December 15, 2011, and was implemented by the Town as of July 1, 2012 with no significant effect on financial statements presentation or disclosure apart from renaming and presentation of the new categories.

Basic Financial Statements - Government-Wide Statements

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

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

In the government-wide statement of net position, 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, receivables, and deferred outflows of resources as well as long-term debt and obligations and deferred inflows of resources. The Town's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. 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, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants and contributions. The program revenues must be directly associated with the 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 or segment. Taxes and other general revenues not restricted to specific program functions are reported instead as general revenues.

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 position 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. The various funds are reported by generic classification within the financial statements.

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

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 and deferred inflows of resources are

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities and deferred outflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows or resources and liabilities and deferred inflows of resources 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 unearned revenues or deferred inflows of resources by the recipient.

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.

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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 that 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 capital 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, capital assets used in governmental fund operations are accounted for as property and equipment. General infrastructure assets acquired prior to July 1, 2000 are not reported in the basic financial statements. All general infrastructure assets, including all roads, bridges, and other infrastructure assets, acquired subsequent to July 1, 2000 are recognized at historical cost. 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.

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

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 capital assets is recorded by removing cost and accumulated depreciation from accounts and changing the resulting gain or loss to income.

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Fund Financial Statements

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

Accrued 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 130 days, and at termination, a maximum of 45 days will be paid to employees at 20% of the employee's then current pay rate. 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.

Unearned 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 unearned 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 unearned 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 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, 2013, the Town had incurred no additional debt obligations.

Net Position and Fund Balances

In the government-wide financial statements, net position is classified in the following categories:

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. 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 Position - 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 Position - This category represents the net position 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.

In the fund financial statements, fund balances are classified in the following categories:

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.

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.

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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.

In March 2013, the Town approved a fund balance policy that established a stabilization arrangement to alleviate significant unanticipated budget shortfalls. The arrangement requires a stabilization amount of at least 12% of the average actual General Fund audited expenditures, excluding capital outlays, for the preceding five years for which the audit is available. The conditions under which stabilization amounts are intended to be spent are to address unanticipated, non-recurring needs or known and planned future obligations, and require a majority approval of the Mayor and Town Council for use. Any reduction of the stabilization amount below the minimum 12% requirement are to include a financial plan to restore the reserve to the minimum level within the following two fiscal years thereafter. As of June 30, 2013, the stabilization balance (reported as a component of unassigned fund balance in the General Fund) was \$289,758.

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 the end of the budget year to the extent they have not been expended.

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 year ended June 30, 2013. Both original and final budgets of the General Fund 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, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingencies, and the reported revenues and expenditures/expenses. Actual results could vary from the estimates that were used.

Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 16, 2013, the date the financial statements were available to be issued.

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 2. Deposits

The deposits held as of June 30, 2013 are shown below:

<u>Type</u>	<u>Rating/Interest Rate (Unaudited)</u>	<u>Maturities (Unaudited)</u>	<u>Carrying Value</u>
Deposits			
Demand Deposits			\$ 820,715
Time Deposits	2.47% - 3.45%	1/29/2014 - 3/19/2015	454,000
Cash on Hand			<u>550</u>
			<u>\$ 1,275,265</u>

Reconciliation to Statement of Net Position

Current Assets		
Cash and Cash Equivalents		
Unrestricted		\$ 788,194
Restricted		<u>33,071</u>
Total Cash and Cash Equivalents		821,265
Certificates of Deposit		<u>354,000</u>
Total Current Assets		1,175,265
Non-Current Assets		
Certificates of Deposit		<u>100,000</u>
		<u>\$ 1,275,265</u>

Restricted cash and cash equivalents of \$33,071 as of June 30, 2013 consisted of \$19,989 held for Public Works Agreements and other deposits and \$13,082 of donations held for military memorial construction and designation of donations for engraved bricks. 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;

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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;
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 Maryland Local Government Investment Pool (MLGIP) defined under Article 95, § 22G of the Code that is administered by the Office of the State Treasurer;

Custodial Credit Risk

Deposits in financial institutions, reported as components of cash and cash equivalents and investments, had a bank balance of \$1,263,732 as of June 30, 2013, \$763,732 of which was exposed to custodial credit risk and uninsured. This amount was fully collateralized by securities pledged and held by a financial institution, not in the Town's name.

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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 as of June 30, 2013 are provided in the previous schedule.

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 as of June 30, 2013 are provided in the previous schedule, as applicable.

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. As of June 30, 2013, the Town had no concentration of credit risk.

Note 3. Note 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.

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Future minimum principal receipts under the note agreement are as follows:

Year Ending <u>June 30,</u>	Governmental <u>Activities</u>
2014	\$ 3,107
2015	3,266
2016	3,433
2017	3,609
2018	3,793
2019-2023	22,083
2024	<u>4,249</u>
	<u>\$ 43,540</u>

Note 4. Capital Assets and Depreciation

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Transferred to Active <u>Status</u>	Balance June 30, <u>2013</u>
Governmental Activities					
Non-Depreciable Assets					
Construction in Process	\$ 159,262	\$ 6,429	\$ -	\$(119,787)	\$ 45,904
Land	<u>8,169,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,169,015</u>
Total Non-Depreciable Assets	<u>8,328,277</u>	<u>6,429</u>	<u>-</u>	<u>(119,787)</u>	<u>8,214,919</u>
Depreciable Assets					
Buildings and Improvements	7,205,829	30,864	-	119,787	7,356,480
Equipment	1,108,582	-	-	-	1,108,582
Infrastructure	10,582,501	-	-	-	10,582,501
Leasehold Improvements	95,514	-	-	-	95,514
Vehicles	<u>657,403</u>	<u>70,719</u>	<u>-</u>	<u>-</u>	<u>728,122</u>
Total Depreciable Assets	<u>19,649,829</u>	<u>101,583</u>	<u>-</u>	<u>119,787</u>	<u>19,871,199</u>
Total Capital Assets	<u>27,978,106</u>	<u>108,012</u>	<u>-</u>	<u>-</u>	<u>28,086,118</u>
Accumulated Depreciation					
Buildings and Improvements	3,293,668	307,918	-	-	3,601,586
Equipment	894,065	31,490	-	-	925,555
Infrastructure	3,218,525	562,334	-	-	3,780,859
Leasehold Improvements	20,693	7,457	-	-	28,150
Vehicles	<u>462,399</u>	<u>69,722</u>	<u>-</u>	<u>-</u>	<u>532,121</u>
Total Accumulated Depreciation	<u>7,889,350</u>	<u>978,921</u>	<u>-</u>	<u>-</u>	<u>8,868,271</u>
Total Capital Assets, Net	<u>\$ 20,088,756</u>	<u>\$ (870,909)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,217,847</u>

A total of \$184,350 that is reported in buildings and improvements is not being depreciated because the property is held for sale under an agreement contingent upon future events. The Town anticipates completing the sale within the coming year.

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Accumulated costs attributable to projects included in construction in progress in governmental activities as of June 30, 2013 were as follows:

South Branch Park Improvements	\$ 45,904
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Depreciation expense for the year ended June 30, 2013 was charged to the governmental activities function as follows:

General Government	\$ 18,454
Public Safety	55,402
Public Works	634,569
Recreation and Parks	42,662
Historic Buildings	<u>227,834</u>
	<u>\$ 978,921</u>

Note 5. Long-Term Debt

Loans and bonds payable as of June 30, 2013 consist of the following:

	<u>Governmental Activities</u>
Loans Payable	
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.	\$.....5,914
Bonds Payable	
2005 Series A Infrastructure Bonds - Police Station Construction; due in remaining annual principal installments, ranging from \$22,000 to \$28,200, through May 2020; remaining interest rate of 4.2%; secured by the credit and taxing power of the Town.	174,500
2008 General Obligation Bonds; due in remaining annual principal installments, ranging from \$70,345 to \$95,540, through June 2023; 3.46% annual interest rate; secured by the credit and taxing power of the Town.	<u>823,718</u>
Total Bonds Payable998,218
Total Loans and Bonds Payable	<u>\$1,004,132</u>

THE 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, 2013:

<u>Type of Debt</u>	Balance July 1, 2012	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2013	Due Within One Year
Governmental Activities					
Loans Payable					
2010 Dodge Charger	\$ 11,464	\$ -	\$ 5,550	\$ 5,914	\$ -
Total Loans Payable11,464-5,5505,914-
Bonds Payable					
2002 Infrastructure Bonds	166,200	-	166,200	-	-
2005 Infrastructure Bonds	195,700	-	21,200	174,500	22,000
2008 General Obligation Bonds	<u>891,710</u>	<u>-</u>	<u>67,992</u>	<u>823,718</u>	<u>70,345</u>
Total Bonds Payable	...1,253,610-	...255,392	...998,218	...92,345
Total Loans and Bonds Payable	1,265,074	-	260,942	1,004,132	92,345
Capital Lease Obligations	7,260	-	7,260	-	-
Accrued Compensated Absences	<u>117,259</u>	<u>-</u>	<u>35,883</u>	<u>81,376</u>	<u>24,338</u>
Total Long-Term Debt	<u>\$ 1,389,593</u>	<u>\$ -</u>	<u>\$ 304,085</u>	<u>\$1,085,508</u>	<u>\$ 116,683</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, 2013 was \$44,674, 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>
2014	\$ 92,345	\$ 35,830
2015	101,493	32,862
2016	99,097	28,995
2017	102,702	25,391
2018	106,497	21,654
2019-2023	<u>501,998</u>	<u>50,932</u>
	<u>\$ 1,004,132</u>	<u>\$ 195,664</u>

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 6. Net Position and Fund Balances

The following is a summary of General Fund nonspendable fund balances as of June 30, 2013:

Due from Component Unit	\$ 127,359
Prepaid Expenses	28,492
Note Receivable	<u>43,540</u>
	<u>\$ 199,391</u>

The following is a summary of restricted net position and fund balances as of June 30, 2013:

Military Memorial	\$ 13,082
Public Works Agreements	<u>9,914</u>
	<u>\$ 22,996</u>

Military Memorial - Net position and fund balances in the governmental activities and General Fund, respectively, are restricted for unspent amounts received through donations for the construction of a military memorial proposed to be on the grounds of the Town Hall, including designation of donations for engraved bricks.

Public Works Agreements - Net position 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, 2013:

Beach Park and Linear Trail Equipment	\$ 5,300
Capital Reserve	250,000
Development Inspection Fees	1,078
Gate House Museum	43,014
Historic Commission	1,360
Historic Schoolhouse	30,045
Impact Fees	108,304
Little Sykes Railroad	8,021
Parks and Recreation	8,483
Police Auxiliary	1,059
Schoolhouse Road	3,065
Street Patching	15,500
Unemployment Reserve	18,409
Warfield Complex	<u>103,000</u>
	<u>\$ 596,638</u>

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 7. 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 1st, 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 1st on the year for which 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. Business personal property taxes are due within 30 days of billing, which occurs as assessment information is received by the State. The tax rates for real and business personal property for the year ended June 30, 2013 were \$0.35 and \$0.875, respectively, per \$100 assessed property value.

Note 8. 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 as follows: 70% to the Town and 30% to the County. In the event of early termination of the agreement, the Town shall not be reimbursed for any profits that may have been anticipated but which have not been earned up to the date of termination.

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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 Town did not meet the completion date for the Brick Warehouse restoration, but management has noted the County has not indicated that this would be a cause for termination of the agreement.

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

The County initially provided 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, with the remaining balance of \$70,000 reimbursed to the Town in April 2012. The Town is required to match the 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. As of June 30, 2013, \$88,475 remains available to the Town from the State grant, \$68,816 of which has been incurred in expenses by the Town as of June 30, 2013 but not yet been sought for reimbursement.

Note 9. 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,

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2013, 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 30th, 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. As of June 30, 2013, the loan value is \$127,359.

Future minimum receipts under the note are as follows:

Year Ending <u>June 30,</u>	Governmental <u>Activities</u>
2014	\$ 6,368
2015	6,368
2016	6,368
2017	6,368
2018	6,368
2019-2023	31,840
2024-2028	31,840
2029-2033	<u>31,839</u>
	<u>\$127,359</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 \$151,145 as of June 30, 2013 are due on demand with no stated interest terms, 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 30th. Payments are due and payable on an annual basis with the final maturity being on or before April 30, 2030.

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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 10. 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 9 and 18 active participants, respectively, as of June 30, 2013.

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 \$17,500, and up to an additional \$5,500 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, 2013.

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. Employee vesting in these contributions is based on years of service, reaching 100% after four years of qualified service. The Town contributed \$90,838 to the 401(a) plan for the year ended June 30, 2013.

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 11. 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.

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 12. 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 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 13. 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, 2013, 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.

As of June 30, 2013, the Town is committed under a contract with a company in the amount of \$171,768 for asphalt overlay patching and paving, all of which is outstanding as of June 30, 2013.

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 14. 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.

Note 15. New Governmental Accounting Standards Board Pronouncements

The GASB has issued several pronouncements prior to the year ended June 30, 2013 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. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the Town as of July 1, 2013. The objective of this statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, will be effective for the Town as of July 1, 2013. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance resulting from issuance of other recent pronouncements. The standard amends requirements for reporting of risk financing activities previously limited to the General Fund and Internal Service Fund type, and modifies guidance in relation to accounting for operating lease payments that vary from straight-line basis and for loan-servicing activities investments and servicing fees.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, will be effective for the Town as of July 1, 2014. The objective of this statement is to improve financial reporting by state and local governmental pension plans by requiring enhanced note disclosures and schedules of required supplementary information and promoting more transparency and consistency amongst state and local governmental pension plan financial statements.

THE TOWN OF SYKESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

GASB Statement No. 68, *Accounting and Reporting for Pensions*, will be effective for the Town as of July 1, 2015. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions, including improving information provided by state and local government employers about financial support for pensions that is provided by other entities, by requiring enhanced note disclosures and schedules of required supplementary information and promoting more transparency and consistency amongst state and local government financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, will be effective for the Town as of July 1, 2014. The objective of this statement is to improve accounting and financial reporting by state and local governments for combinations in the governmental environment, and improve the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination agreements in when they engage and for disposals of government operations through transfer or sale.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will be effective for the Town as of July 1, 2014. The objective of this statement is to enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. The statement also will enhance the information disclosed about a government's obligations and risk exposure from extending such guarantees, and assist financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about such guaranteed obligations.

Note 16. Subsequent Events

On September 23, 2013, the Mayor and Town Council approved a resolution to designate the Warfield Complex property as surplus to the Town's needs, in connection with negotiations for the sale of the grounds and facilities to an independent party for development as a mixed-use commercial/office, retail and residential property.

On October 15, 2013, the Mayor and Town Council approved a promissory note to loan \$90,000 to the WDC to fund operating and capital expenses and other obligations of the WDC with simple interest of three percent per annum on the principal balance outstanding on the loan as advanced with repayment in full on the earliest of the settlement on the sale of the property or December 16, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

THE TOWN OF SYKESVILLE, MARYLAND
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

UNAUDITED

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	\$ 1,846,710	\$ 1,846,710	\$ 1,919,749	\$ 73,039
Intergovernmental	745,958	782,445	366,096	(416,349)
Charges for Services	75,844	70,644	217,628	146,984
Licenses and Permits	49,100	50,100	65,607	15,507
Fines and Forfeitures	1,000	1,000	884	(116)
Interest Income and Rents	64,464	67,050	71,828	4,778
Miscellaneous	59,650	34,460	143,501	109,041
TOTAL REVENUES	2,842,726	2,852,409	2,785,293	(67,116)
EXPENDITURES				
General Government	453,156	468,238	479,665	(11,427)
Public Safety	443,613	445,669	433,261	12,408
Public Works	677,915	674,815	631,202	43,613
Recreation and Parks	85,000	84,405	85,264	(859)
Post Office	63,841	51,841	147,178	(95,337)
Historic Buildings	27,940	27,940	23,896	4,044
Miscellaneous	448,174	418,892	384,620	34,272
Debt Service	180,366	313,406	313,405	1
Capital Outlays	491,970	589,758	108,012	481,746
TOTAL EXPENDITURES	2,871,975	3,074,964	2,606,503	468,461
NET CHANGES IN FUND BALANCE	(29,249)	(222,555)	178,790	401,345
Fund Balance - Beginning of Year	1,326,038	1,326,038	1,326,038	-
FUND BALANCE - END OF YEAR	\$ 1,296,789	\$ 1,103,483	\$ 1,504,828	\$ 401,345