

VILLAGE OF MARTIN'S ADDITIONS
Presentation of Audit Report
Fiscal Year Ended June 30, 2017

Joseph M. McCathran, CPA
Linton Shafer Warfield & Garrett, P.A.

I. INDEPENDENT AUDITORS' REPORT: In front of financial statements

The report indicates that we have conducted our audit in accordance with generally accepted auditing standards, and we found that the financial statements present fairly, in all material respects, the financial position and results of operations for the years ended June 30, 2017 and 2016 in conformity with U.S. generally accepted accounting principles.

Basic Financial Statements - Include:

- Management Discussion and Analysis - Prepared by the Village to summarize the year's results. Exhibit A-1 & A-2 presented under full accrual, to include fixed assets and depreciation. (Presentation similar to business reporting.)
- Exhibit A-3 & A-4 - Modified accrual basis. Fixed assets and depreciation not included. (Presentation using budget basis)
- See reconciliations between the two methods on Exhibit A-4 and A-6.
- Notes to financial statements - Provide additional explanatory information.
- Exhibit B-1 - Detail of budgetary comparisons.

II. SEPARATE LETTER - Dated October 26, 2017

- Our responsibility under U.S. Generally Accepted Auditing Standards
- Significant Accounting Policies - Note 1 to financial statements
- Accounting estimate - Wynne liability to the State increased from \$149,988 in 2016 to \$196,949 in 2017. (Note 5)
- Audit adjustments - No significant impact on revenue or expenditures.
- Disagreements with management - none
- Consultation with other independent accountants - none known
- Difficulties encountered in performing the audit - none

III. COMPARISON OF BUDGET TO ACTUAL:

GENERAL FUND - Exhibit B-1	Final Budget	2017 Actual	Over (Under)
Revenues (24% over budget)	\$ 856,600	\$ 1,063,385	\$ 206,785
Expenditures (33% under budget)	2,142,725	1,436,199	(706,526)
Revenues Over (Under) Expenditures	<u>\$ (1,286,125)</u>	<u>\$ (372,814)</u>	<u>\$ 913,311</u>

Expenditures under budget primarily attributable to street, sidewalk and street light repairs budgeted for \$1,450,000. Expended only \$865,207 for variance of \$584,793.

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IV. SIGNIFICANT BUDGET VARIANCES:

(See Exhibit B-1)

Revenues:

	Budget	Actual	Over (Under) Budget
Income tax from State	\$ 600,000	\$ 717,755	\$ 117,755
Reimbursement from WSSC	-	72,898	72,898
All other accounts	256,600	272,732	16,132
Total Revenues	\$ 856,600	\$ 1,063,385	\$ 206,785

Expenditures:

General Government:

Financial administration	\$ 341,200	285,457	\$ (55,743)
All other accounts	77,500	67,141	(10,359)

Public Works

Snow removal	25,000	10,801	(14,199)
Street cleaning & maintenance	43,000	16,963	(26,037)
Sanitation and waste removal	100,025	97,667	(2,358)
Designated - streets and sidewalks	1,450,000	865,207	(584,793)
All other public works	44,700	32,240	(12,460)

Public Safety

	40,800	40,276	(524)
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Recreation	20,500	20,447	(53)
Total Expenditures	\$ 2,142,725	\$ 1,436,199	\$ (706,526)

V. COMPARISON TO PRIOR YEAR:

Revenues (Budget Basis) - Exhibit A-5

	Year 2016	Year 2017	Increase (Decrease)
Property taxes	\$ 168,706	175,398	6,692
Income taxes	819,105	717,755	(101,350)
License and permits	15,591	22,202	6,611
State Highway Tax	22,375	48,779	26,404
Reimbursement from WSSC	-	72,898	72,898
All other accounts	43,203	26,353	(16,850)
Total Revenues - Governmental Funds (Down .5%)	\$ 1,068,980	\$ 1,063,385	(5,595)
Income tax refunds due to State - Wynne Case	(20,848)	(46,961)	(26,113)
Revenue - Exhibit A-2 and A-3	\$ 1,048,132	\$ 1,016,424	\$ (31,708)

The Wynne case was a U.S. Supreme Court ruling requiring Maryland local governments to refund income tax received in prior years. See financial statement Note 5 for detail.

Income tax revenues as percent of total revenue is 77% in 2016, and 68% in 2017. Increased in 2016 by \$257,019 due to State Audit and re-allocation of income tax to some local governments. Decreased in 2017 by \$101,350 to \$717,755 which is closer to 2015 amount of \$750,382.

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COMPARISON TO PRIOR YEAR

Expenditures - See Exhibit A-5

	Year 2016	Year 2017	Increase (Decrease)
General Government	\$ 378,417	\$ 352,598	\$ (25,819)
Public Works	211,470	1,022,878	811,408
Public Safety	33,841	40,276	6,435
Parks and Recreation	21,013	20,447	(566)
Total Expenditures (124% increase)	\$ 644,741	\$ 1,436,199	\$ 791,458

Revenue Over (Under) Expenditures

	\$ 424,239	\$ (372,814)	\$ (797,053)
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Significant Changes in Expenses:

	2016	2017	Change
General - administration & other	\$ 237,533	\$ 264,942	\$ 27,409
General - Building , permits & enforcement	60,295	46,943	(13,352)
General - legal	80,589	40,713	(39,876)
Public works - street & sidewalk improvements	3,816	865,207	861,391
Public Safety	33,841	40,276	6,435
Public Works - Snow removal	25,991	10,801	(15,190)
All other expenditures	202,676	167,317	(35,359)
Total Expenditures (% increase)	\$ 644,741	\$ 1,436,199	\$ 791,458

Cash and investment balances

	\$ 2,895,093	\$ 2,471,784	\$ (423,309)
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Summary:

Fund Balance is approximately 1.7 times annual expenditures at June, 2017 and 4.4 at 2016.

Cash and investments make up 70% of total assets in 2017 and 94% in 2016.

Wynne Income Tax Liability - based on tax returns filed for years 2009 to 2014:

Reduced Net Position in 2015 by \$129,140, but liability increased to \$196,949 at 6/30/17 due to change in estimate from amended returns. Repayable over 20 quarters beginning May of 2019.

Does not reduce Governmental Fund balance until withheld by State beginning May of 2019.

(Exhibits A4 & A5)