

**VILLAGE OF MARTIN'S ADDITIONS**  
**Presentation of Audit Report**  
**Fiscal Year Ended June 30, 2016**

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**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, 2016 and 2015 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-3 and A-5.
- Notes to financial statements - Provide additional explanatory information.
- Exhibit B-1 - Detail of budgetary comparisons.

**II. SEPARATE LETTER - Dated October 25 , 2016**

- 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 \$129,140 in 2015 to \$149,988 in 2016. (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	2016 Actual	Over (Under)
Revenues (25% over budget)	\$ 857,745	\$ 1,068,980	\$ 211,235
Expenditures (68% under budget)	1,984,315	644,741	(1,339,574)
Revenues Over (Under) Expenditures	\$ (1,126,570)	\$ 424,239	\$ 1,550,809

Expenditures under budget primarily attributable to street, sidewalk and street light repairs budgeted for \$1,250,000 not started in year 2016. Expended only \$3,816 for variance of \$1,246,184.

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**IV. SIGNIFICANT BUDGET VARIANCES:**

(See Exhibit B-1)

**Revenues:**

	Budget	Actual	Over (Under) Budget
Income tax from State	\$ 600,000	\$ 819,105	\$ 219,105
All other accounts	257,745	249,875	(7,870)
<b>Total Revenues</b>	<b>\$ 857,745</b>	<b>\$ 1,068,980</b>	<b>\$ 211,235</b>

**Expenditures:**

General Government:

Financial administration	\$ 337,000	301,027	\$ (35,973)
All other accounts	86,795	77,390	(9,405)

Public Works

Snow removal	45,000	25,991	(19,009)
Street cleaning & maintenance	42,520	26,058	(16,462)
Sanitation and waste removal	100,000	97,553	(2,447)
Designated - streets and sidewalks	1,250,000	3,816	(1,246,184)
All other public works	60,000	58,052	(1,948)

Public Safety

Recreation	33,000	33,841	841
<b>Total Expenditures</b>	<b>\$ 1,984,315</b>	<b>\$ 644,741</b>	<b>\$(1,339,574)</b>

**V. COMPARISON TO PRIOR YEAR:**

**Revenues (Budget Basis) - Exhibit A-5**

	Year 2015	Year 2016	Increase (Decrease)
Property taxes	\$ 163,647	168,706	5,059
Income taxes	750,382	819,105	68,723
License and permits	26,298	15,591	(10,707)
State Highway Tax	19,478	22,375	2,897
All other accounts	39,293	43,203	3,910
<b>Total Revenues - Governmental Funds (Up 7%)</b>	<b>\$ 999,098</b>	<b>\$ 1,068,980</b>	<b>69,882</b>
Income tax refunds due to State - Wynne Case	(129,140)	(20,848)	108,292
<b>Revenue - Exhibit A-2</b>	<b>\$ 869,958</b>	<b>\$ 1,048,132</b>	<b>\$ 178,174</b>

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 75% in 2015, and 77% in 2016. Increased in 2016 by \$257,019 due to State Audit and re-allocation of income tax to some local governments.

Otherwise income tax decreased \$188,296 (25%).

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**COMPARISON TO PRIOR YEAR**

**Expenditures - See Exhibit A-5**

	Year 2015	Year 2016	Increase (Decrease)
General Government	\$ 344,875	\$ 378,417	\$ 33,542
Public Works	206,934	211,470	4,536
Public Safety	22,513	33,841	11,328
Parks and Recreation	16,335	21,013	4,678
Total Expenditures (9% increase)	<u>\$ 590,657</u>	<u>\$ 644,741</u>	<u>\$ 54,084</u>
<b>Revenue Over Expenditures</b>	<u>\$ 408,441</u>	<u>\$ 424,239</u>	<u>\$ 15,798</u>

**Significant Changes in Expenses:**

	2015	2016	Change
General - Administrative Salaries & fringe	\$ 135,106	\$ 116,987	\$ (18,119)
General - Building , permits & enforcement	38,732	60,295	21,563
General - legal	54,476	80,589	26,113
Public Safety	22,513	33,841	11,328
Public Works - Snow removal	32,227	25,991	(6,236)
Public Works - Waste & leaf collection	94,289	97,005	2,716
Recreation - community events	16,335	21,013	4,678
All other expenditures	196,979	209,020	12,041
Total Expenditures (9% increase)	<u>\$ 590,657</u>	<u>\$ 644,741</u>	<u>\$ 54,084</u>

**Cash and investment balances**

Total Expenditures (9% increase)	<u>\$ 2,470,604</u>	<u>\$ 2,895,093</u>	<u>\$ 424,489</u>
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**Summary:**

Net position is approximately 4 times annual expenditures at June, 2016 and 2015.

Cash and investments make up 94% of total assets in 2016 and 92% in 2015.

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 \$20,848 to \$149,988  
in 2016 due to change in estimate. 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)