

**Town of La Plata, Maryland**  
**Financial Statements**  
**and Independent Auditor's Report**  
**June 30, 2014**

# Town of La Plata, Maryland

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## Independent Auditor's Report

The Honorable Members of the Town Council  
Town of La Plata, Maryland

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund of the Town of La Plata, Maryland (the "Town"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the index.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Combined State Retirement and Pension System of Maryland on pages 5 through 14 and page 46 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Detail Schedule of Revenues - Budget and Actual - General Fund and the Detail Schedule of Expenditures - Budget and Actual - General Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Baltimore, Maryland  
December 19, 2014

## Town of La Plata, Maryland

### Management's Discussion and Analysis - Required Supplementary Information June 30, 2014

This section of the Town's annual financial report presents its discussion and analysis of the Town's financial performance during the fiscal year ending June 30, 2014. Please read it in conjunction with the financial statements, which immediately follow this section.

#### **Financial Highlights**

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$47,273,665 (net position). Of this amount, \$12,237,231 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's net position increased by \$1,728,982 in FY14. This is the net of the \$768,049 increase associated with governmental activities and the \$960,933 increase associated with business-type activities.

As of the close of the current fiscal year, the Town's General Fund reported a fund balance of \$9,587,813, a decrease of \$258,360 from the prior year, and the Nonmajor Governmental Funds reported a fund balance of \$15,500.

The net position of the Town's business-type activities (Water and Sewer Fund, Sanitation Fund, Nonmajor Proprietary Fund) increased by \$960,933 as a result of FY14 activity. The increase was primarily attributable to the fact that the Town funded most of the \$734,225 in Enhanced Nutrient Removal ("ENR") upgrades to its Waste Water Treatment Plant ("WWTP") with a Maryland Department of the Environment grant.

Overall, the Town's total long-term obligations decreased approximately \$959,710 in FY14. The General Fund obligations decreased by approximately \$221,247 and the Enterprise Fund debt decreased by approximately \$738,463. This reflects the fact that the Town took on a very limited amount of new debt during the year and continued to pay down its existing debt as scheduled.

#### **Overview of 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 are comprised of three components: 1) government-wide statements, 2) fund 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 private-sector business.

## Town of La Plata, Maryland

### Management's Discussion and Analysis - Required Supplementary Information June 30, 2014

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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.

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 government activities of the Town include general government, public safety, public works and parks/recreation/community promotion. The major business-type activities of the Town are Sanitation, Water and Sewer services and Storm Water Management.

**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 can be divided into two categories: governmental funds and proprietary 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, the focus of the governmental fund financial statements is on near term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Town has one major governmental fund, the General Fund.

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

## Town of La Plata, Maryland

### Management's Discussion and Analysis - Required Supplementary Information June 30, 2014

**Proprietary funds.** Services for which the Town charges a fee are generally reported in proprietary funds. The Town's enterprise funds are the same as its business-type activities. However, enterprise fund statements provide more detail and additional information such as cash flows than do the government-wide statements. The Town maintains two major enterprise funds, the water and sewer Fund and the Sanitation Fund and a third Nonmajor fund, the Storm Water Utility Fund.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information like the Budget to Actual comparison for the General Fund, which is presented immediately after the basic financial statements.

#### Government-wide Financial Analysis

As noted earlier, net position serves over time as a useful indicator of a government's financial position over time. The Town's combined assets exceeded liabilities by \$47,273,665 at the close of the most recent fiscal year.

Of the Town's net position, 70.43 percent is invested in capital assets (e.g., land, buildings, improvements other than buildings, vehicles and mobile equipment, other equipment, infrastructure, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## Town of La Plata, Maryland

### Management's Discussion and Analysis - Required Supplementary Information June 30, 2014

Figure 1

#### Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Town	
	2014	2013	2014	2013	2014	2013
<b>Assets:</b>						
Current and other assets	\$ 9,978,100	\$ 10,260,848	\$ 6,346,352	\$ 6,055,981	\$ 16,324,452	\$ 16,316,829
Capital assets, net	12,068,466	11,265,985	31,408,879	31,743,901	43,477,345	43,009,886
<b>Total assets</b>	<b>22,046,566</b>	<b>21,526,833</b>	<b>37,755,231</b>	<b>37,799,882</b>	<b>59,801,797</b>	<b>59,326,715</b>
<b>Liabilities:</b>						
Long-term liabilities	1,770,455	1,991,702	9,304,551	10,043,014	11,075,006	12,034,716
Other liabilities	384,230	411,299	1,068,896	1,336,016	1,453,126	1,747,315
<b>Total liabilities</b>	<b>2,154,685</b>	<b>2,403,001</b>	<b>10,373,447</b>	<b>11,379,030</b>	<b>12,528,132</b>	<b>13,782,031</b>
<b>Net position:</b>						
Invested in capital assets, net of related debt	11,020,574	10,120,384	22,273,471	21,903,687	33,294,045	32,024,071
Restricted	-	-	1,742,389	2,083,652	1,742,389	2,083,652
Unrestricted	8,871,307	9,003,448	3,365,924	2,433,513	12,237,231	11,436,961
<b>Total net position</b>	<b>\$ 19,891,881</b>	<b>\$ 19,123,832</b>	<b>\$ 27,381,784</b>	<b>\$ 26,420,852</b>	<b>\$ 47,273,665</b>	<b>\$ 45,544,684</b>

**Governmental activities.** The Town's net position increased by \$768,049 as a result of governmental activities in FY14. This accounted for (44.4%) percent of the change in the Town's net position for the year.

Overall governmental activity revenue increased by approximately \$923,377 or 17% in FY14 compared to FY13. The largest dollar increases occurred in Transfers, Operating Grants and Contributions, Income Tax and Property Tax revenues. These increased \$654,142 (287.7%), \$202,670 (134.7%), \$190,100 (18.5%) and \$12,036 (0.3%), respectively. There were also increases in Miscellaneous (14.7%/\$11,834) and Franchise Fee (4.0%/\$6,760) revenues. These increases were partially offset by decreases in Capital Grants and Contributions, Charges for Services and Investment Earnings revenues, which decreased \$100,000 (100%), \$22,653 (12.5%) and \$15,787 (46.2%), respectively.

The large change in the Transfers resulted from the fact that there was a one-time transfer of \$748,100 of storm water infrastructure assets from the General Fund to the storm water fund in FY13 and that caused the FY13 amount to be much lower than normal. The FY14 Transfer amounts are much closer to the expected annual amount. The amount is the net of: transfers in to the General Fund from the business-type activity funds, made to reimburse the General Fund for business-type activity administrative costs that are recorded in the General Fund, and; transfers out of the General Fund to the Water and Sewer Fund to cover the Heritage Green Special Tax District's portion of the Willow Lane Pump Station debt

The increase in Operating Grant and Contribution revenue was primarily attributable to the State Department of Transportation awarding municipalities a supplemental, "one-time" grant in FY14. This was done to make up for a portion of the Highway User Revenue that the State started withholding from the municipalities in FY10. The Town's grant was \$180,901. Even

## Town of La Plata, Maryland

### Management's Discussion and Analysis - Required Supplementary Information June 30, 2014

with this grant, the total Highway User Revenue the Town received in FY14 was still only about 60% of what it received in FY09. The amount the Town received from the Governor's Office of Crime Control and Prevention under the State Aid for Police Protection grant program was also higher in FY14 (\$77,799) than it was in FY13 (\$48,491).

The Town has virtually no ability to control the amount of Income Tax revenue it receives each year. The amount received is a function of the general economic conditions and the earnings of Town residents and businesses. The \$190,100/18.5% FY14 increase are indicative of improving economic conditions and higher earnings for the Town's residents and businesses.

While the FY14 dollar increase in Property Tax revenues was only \$12,036, it was the next largest dollar revenue increase, despite it only being a 0.3% increase on a percentage basis. Property Taxes are the Town's primary source of governmental activity revenue, accounting for almost 62% of it, and a little more than 33% of the Town's total revenues. The Town's real properties were last assessed in FY12, when property values were still depressed as a result of the bust in the real estate market in 2008. FY14 was the second of three years in which the values set in FY12 were used to calculate real property tax revenues. Given that the 2012 assessed values were down and not projected to change significantly over the three year period covered by the FY12 assessment, there was an expectation that real property tax revenue would not increase significantly through at least FY15. The slight increase in Property Tax revenue in FY14 can primarily be attributed to growth in the assessable base from the construction of new residential structures during the year. What happened in FY14 illustrates how a relatively small percentage change in a major revenue source can have a significant impact on the actual amount of revenue that is collected.

Franchise Fees are paid by utility providers (Verizon, Comcast, Washington Gas), based on the terms of the franchise agreements that were established at the time the utilities were granted franchises to offer their services in the Town. Generally, the only times the Town can effect this revenue stream is when they are negotiating the initial franchise agreement or a renewal of the agreement. The terms typically require the utility providers to pay the Town a percentage of the revenues they collect from Town residents or a minimal fee if there are no services currently being provided. The increase in the Franchise Fee revenue indicates the utility providers generated more revenue from Town residents, for their services, in FY14 than they did in FY13.

Capital Grants and Contributions revenue decreased by \$100,000 in FY14. This was because the Town received a \$100,000 grant in FY13 from the State Department of Natural Resources for the construction of a parking lot at Tilghman Lake and didn't receive a similar grant in FY14.

The decrease in the Charges for Services revenues was primarily attributable to a decrease in Rental Inspection revenue. There are approximately 700 rental units in the Town and each one is required to renew their rental license every two years. The rates charged for licenses vary slightly depending on the number of units in a building or complex, with lower rates being charged per unit, the more units there are. The owner is required to pay the fee at the time they apply for a rental license or renewal but the license is not issued until the units have

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### Management's Discussion and Analysis - Required Supplementary Information June 30, 2014

successfully passed inspection. This means that often revenues are recorded in one year and the licenses are not issued until the next. In FY14 applications were submitted for approximately 210 of the Town's 700 units compared to the 490 or so that were submitted in FY13. This resulted in a significant decrease in the rental license/inspection revenues in FY14.

Interest Earnings revenues decreased \$15,787 or 46.2% in FY14 as result of further deterioration in the interest rate environment.

Governmental activity expenditures increased by approximately \$56,822 or 1.0% from FY13 to FY14.

General government and public works expenditures increased compared to FY13, while public safety and parks/recreation/community promotion expenditures decreased.

The increase in general government expenses was \$57,651 or 3.5%. Financial Services/Administrative Support, Planning & Zoning, General Services and Human Resources expenditures all increased while the expenditures for Legislative, Administration, Elections, Legal and Information Technology decreased.

The largest increase was in Financial Services/Administrative Support, where the costs were \$35,648 or 7.6% higher in FY14 than they were in FY13. Increased salary costs associated with the payout of the unused leave of a long-time employee that retired in FY14, along with the sale of leave by department employees, and increased benefit costs associated with the new employee that was hired in FY14, accounted for the majority of the increase. The rest of the increase was attributable to the assessment of a tax penalty by the State of Maryland for the alleged late payment of State Income Tax withholdings in 2009. The Town has appealed the penalty and submitted documentation to the State supporting its position that the taxes were paid timely. The expectation is that the penalty will at least be reduced, if not fully refunded.

Planning and Zoning expenditures also increased significantly in FY14. They were \$33,735 or 12.0% higher than in FY13. The increase was the result of higher spending for IT support in association with the update of the Town's Comprehensive Plan, costs associated with the proposed "Hub" annexation and higher employee compensation costs resulting from a staffing change in the department. The annexation costs are to be reimbursed by the petitioner so, while they went up, there is a corresponding revenue to offset them.

There was also an increase in General Service expenditures in FY14. The increase was \$17,369 or 29.7% and was primarily attributable to increased unemployment compensation costs incurred as the result of several former employees filing unemployment claims and being awarded compensation. There were also increases in insurance costs and office supply expenditures.

## Town of La Plata, Maryland

### Management's Discussion and Analysis - Required Supplementary Information June 30, 2014

Human Resources expenditures were also higher in FY14 than they were in FY13. They increased \$9,140 or 26.2%. This was the result of the Town spending more on health exams for employees and utilizing a professional search firm to assist with the recruitment and hiring of a the new Police Chief and Director of Planning.

The increases noted above were partially offset by decreases in the other general government expenditures. The largest of these were in Legal and Legislative expenditures, which decreased by \$20,008/22.4% and \$19,124/6.4%, respectively. The decrease in Legal expenditures resulted from the fact that there were one-time costs incurred in FY13, associated with the Johel/Walmart annexation, which caused the overall level of Legal expenditures to be higher than normal in FY13. With that being said, the amount spent on general legal services increased from FY13 to FY14 but not nearly as much as the one-time project specific legal costs declined. The Legislative expenditures were lower in FY14 than FY13 largely because the Town conducts its Citizen Survey every other year rather than every year and FY13 was a survey year while FY14 was not. There was also a decrease in salary expenditures that related to annual adjustment of the compensated absence liability. The increases/decreases in the other general governmental departments were minimal.

Overall, public safety expenditures decreased by \$61,084 or 3.2%. This was primarily attributable to lower capital, fringe benefits and contracted services costs in the Police Department and lower contracted services costs in Emergency Preparedness. These decreases were partially offset by increases salary and supply expenditures in the Police department and increases in fringe benefit, and contracted services costs in Inspections and Enforcement.

Overall, the Public Works expenditures in the General Fund increased by \$89,213 or 5.9% from FY13 to FY14. There was an increase in facility maintenance expenditures of \$86,927 or 21.1%. This was the result of increased expenditures for the maintenance and repair of Town Hall, increased fuel costs at the public works building and the net capital costs of the acquisition of the three residential properties on St Mary's Avenue and Queen Anne Street. Fleet maintenance costs increased \$7,766 or 6.4% in FY14 expenditures due to increased expenditures for fuel and supplies. These increases were partially off-set by a decrease in the expenditures made on streets/roads and sidewalks (\$4,367 or 1.0%). The funding from the "one-time" Highway User grant was placed in Reserve for expenditure in FY14.

Parks/Recreation/Community Promotion expenditures decreased by \$19,649 or 4.2% from FY13 to FY14. The decrease was the result of reduced expenditures on contracted services and supplies associated with community promotion events.

**Business-type activities.** The change in net position attributable to business-type activities was \$960,933 or 55.6% of the total change in the Town's net position in FY14. \$592,900 of the change in net assets was attributable to the Water and Sewer Fund, while \$191,976 was attributable to the Sanitation Fund. The remaining \$176,057 was attributable to the Nonmajor Proprietary Fund ("Storm Water Management Fund").

## Town of La Plata, Maryland

### Management's Discussion and Analysis - Required Supplementary Information June 30, 2014

Figure 2

#### Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Town	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 158,086	\$ 180,739	\$ 5,384,795	\$ 5,218,458	\$ 5,542,881	\$ 5,399,197
Operating grants and contributions	353,081	150,411	-	-	353,081	150,411
Capital grants and contributions	-	100,000	624,895	2,447,463	624,895	2,547,463
General revenues:						
Taxes						
Property	4,013,771	4,001,735	-	-	4,013,771	4,001,735
Income	1,217,881	1,027,781	-	-	1,217,881	1,027,781
Franchise fees	175,316	168,556	-	-	175,316	168,556
Investment earnings	18,392	34,179	11,032	9,370	29,424	43,549
Miscellaneous	92,245	96,136	-	-	92,245	96,136
Transfers	426,764	(227,378)	(426,764)	227,378	-	-
<b>Total revenues</b>	<b>6,455,536</b>	<b>5,532,159</b>	<b>5,593,958</b>	<b>7,902,669</b>	<b>12,049,494</b>	<b>13,434,828</b>
<b>Expenses:</b>						
General government	1,720,165	1,662,514	-	-	1,720,165	1,662,514
Public safety	1,861,261	1,922,345	-	-	1,861,261	1,922,345
Public works	1,590,586	1,501,373	-	-	1,590,586	1,501,373
Recreation	449,020	468,669	-	-	449,020	468,669
Water and sewer service	-	-	3,689,754	3,148,141	3,689,754	3,148,141
Sanitation and waste removal	-	-	787,062	827,238	787,062	827,238
Storm water management	-	-	156,209	143,859	156,209	143,859
Interest on long-term debt	66,455	75,764	-	-	66,455	75,764
<b>Total expenses</b>	<b>5,687,487</b>	<b>5,630,665</b>	<b>4,633,025</b>	<b>4,119,238</b>	<b>10,320,512</b>	<b>9,749,903</b>
<b>Change in net position</b>	<b>768,049</b>	<b>(98,506)</b>	<b>960,933</b>	<b>3,783,431</b>	<b>1,728,982</b>	<b>3,684,925</b>
Net position - beginning of year,	19,123,832		26,420,851		45,544,683	
Net position - end of year	<u>\$ 19,891,881</u>		<u>\$ 27,381,784</u>		<u>\$ 47,273,665</u>	

### Financial Analysis of the Town's Funds

The Town of La Plata remains strong financially. The Town Treasurer continues to remain conservative in his approach to budgeting and investing. However, the Town's assessable tax base has temporarily plateaued and is not expected to grow significantly in the near future due to the continued weakness in the overall economy and corresponding lack of new development that is taking place. Ensuring the Town remains financially strong in this environment will require vigilance and careful management of the Town's resources.

Construction activity in Town was mixed in FY14. The number of permits issued for new residential construction dropped 21% from thirty-eight in FY13 to thirty in FY14 but the total estimated value of the residential projects permitted only decreased 11.5% from \$4,879,439 in

## Town of La Plata, Maryland

### Management's Discussion and Analysis - Required Supplementary Information June 30, 2014

FY13 to \$4,320,000 in FY14. The twenty-four commercial projects permitted in FY14 was just slightly less than the twenty-six commercial projects that were permitted in FY13 but the average value of the work per permit increased 81%, from \$75,320 in FY13 to \$136,679 in FY14.

The Water and Sewer Fund is an enterprise fund where the costs of operation are shared proportionally by the users. As with most municipalities throughout the United States, the Water and Sewer Fund will have its challenges in the coming years due to aging infrastructure. The Town retained the tiered water and sewer rate structure that was initiated in FY08, in FY14. The Town continues to assess major facility fees on all new development. These fees are designed to cover the costs of infrastructure improvements required to accommodate the demands placed on the Town's infrastructure by the new development. Ideally, the amount of major facility fee revenue received annually will cover the annual debt service costs of the business-type activity funds but, as has been the case the last several years, the amount collected in FY14 was less than the debt service costs. There is still a sizable reserve in the major facility fee fund but it will only cover existing debt service costs for about three more years, if development doesn't pick-up.

### Budget Highlights

There was only one budget amendment ordinance considered and adopted by the Mayor and Council for FY14.

Ordinance 15-003 was adopted in October of 2014. It reallocated amounts appropriated in the original budget to align them with actual expenditures. It also appropriated \$895,220 of unassigned fund balance to cover a portion of the acquisition cost of the three residential properties the Town purchased in FY14. It also appropriated the grant funding the Town received in FY14.

### Capital Asset and Debt Administration

**Capital assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013, was \$43,009,886 (net of accumulated depreciation) and grew by \$467,459 to \$43,477,345 as of June 30, 2014. The investment in capital assets includes land, buildings, improvements other than buildings, vehicles and mobile equipment, other equipment, infrastructure, and construction in progress. More detailed information about capital assets can be found in note 4 to the basic financial statements.

The Town net value of the governmental activities assets increased \$802,481 in FY14. This is largely the result of the Town acquiring three residential properties in FY14 (\$1,141,716). The Town also invested in a new sidewalk along the southern side of East Hawthorn Drive between Washington Avenue and Walgreens (\$62,149) and a new splash pad at Town Hall (\$68,263). It also obtained a Humvee from the United States Marine Corp valued at \$60,409. The additions in the governmental activities funds were partially offset by depreciation.

## Town of La Plata, Maryland

### Management's Discussion and Analysis - Required Supplementary Information June 30, 2014

The net value of the assets held in the Town's business activity funds decreased by \$335,021 in FY14. While there was substantial additional investment associated with the Enhanced Nutrient Removal upgrade to the waste water treatment plant in FY14 (\$734,225) and investments in the Town's storm water infrastructure (\$101,690), the annual depreciation expenses more than offset these investments resulting in the net decrease.

**Long-term debt.** At June 30, 2014, the Town had total outstanding debt of \$11,075,006. Total debt for the governmental activities is \$1,770,455. Total outstanding debt for business-type activities is \$9,304,551. More detailed information about long-term debt can be found in note 5 to the basic financial statements.

#### Factors Bearing on Town's Future

Southern Maryland continues to be a very desirable place to live and work but given the current economic environment, and strong development in St. Charles, north of La Plata, the Town's growth has slowed. Work on two of the four large residential developments that are planned for the Town has essentially come to a standstill while work on the other two is still moving forward, albeit very slowly. There were two new commercial buildings permitted in FY14 but these appear to be the exception rather than a trend.

While the rate of growth has slowed from the pace of several years ago, the Town is still focused on assuring that it has adequate public facilities and resources to accommodate the growth when it does occur. The Town continues to evaluate and improve its water supply and sewage collection systems. The Enhanced Nutrient Removal ("ENR") to the waste water treatment plant were accepted as substantially complete in April and the plants performance is exceeding the State mandated standards. The Town took on several additional storm water repair and rehabilitation projects in FY14. The Town is also continuing to work with Charles County, the Town of Indian Head and MDE to manage the water resources and increase its appropriations. The Town Council continues to use the Water and Sewer Advisory Committee to evaluate any new proposed large projects for their impact. The Town is also continually working with the County to assure there is adequate capacity in the schools.

Job creation and retention in Charles County remains good. Unemployment rates are comparable to Maryland as a whole and below the nation as a whole. In addition, the two major military bases in Southern Maryland fared well in the base realignments. The military facility in nearby Indian Head remained the County's largest employer.

#### Contacting the Town's Financial Management

This financial report is designed to provide the Town's citizens, stakeholders, elected officials, and the financial market with a general overview of the Town's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information, address the Treasurer, Town of La Plata, P.O. Box 2268, La Plata, MD 20646.

## **Basic Financial Statements**

**Town of La Plata, Maryland**

**Statement of Net Position  
June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,975,935	\$ 1,590,613	\$ 5,566,548
Investments, including accrued interest	5,731,861	2,227,923	7,959,784
Receivables (net of allowance for uncollectibles)			
Property taxes	38,824	-	38,824
Water, sewer, sanitation and storm water services	-	1,383,116	1,383,116
Other receivables	32,752	-	32,752
Due from other governments	127,401	1,144,700	1,272,101
Prepaid expenses	71,327	-	71,327
Capital assets			
Nondepreciable assets	3,527,874	459,250	3,987,124
Depreciable assets, net	<u>8,540,592</u>	<u>30,949,629</u>	<u>39,490,221</u>
<b>Total assets</b>	<u><u>\$ 22,046,566</u></u>	<u><u>\$ 37,755,231</u></u>	<u><u>\$ 59,801,797</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and other current liabilities	\$ 337,088	\$ 1,012,417	\$ 1,349,505
Accrued expenses	-	56,479	56,479
Deposits	47,142	-	47,142
<b>Noncurrent liabilities</b>			
Due within one year	239,348	812,200	1,051,548
Due in more than one year	<u>1,531,107</u>	<u>8,492,351</u>	<u>10,023,458</u>
<b>Total liabilities</b>	<u><u>2,154,685</u></u>	<u><u>10,373,447</u></u>	<u><u>12,528,132</u></u>
<b>Net position</b>			
Invested in capital assets, net of related debt	11,020,574	22,273,471	33,294,045
Restricted for major facility fee	-	1,742,389	1,742,389
Unrestricted	<u>8,871,307</u>	<u>3,365,924</u>	<u>12,237,231</u>
<b>Total net position</b>	<u><u>\$ 19,891,881</u></u>	<u><u>\$ 27,381,784</u></u>	<u><u>\$ 47,273,665</u></u>

See Notes to Financial Statements.

## Town of La Plata, Maryland

### Statement of Activities Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government
Governmental activities							
General government	\$ 1,720,165	\$ 156,165	\$ -	\$ -	\$ (1,564,000)	\$ -	\$ (1,564,000)
Public safety	1,861,260	-	93,040	-	(1,768,220)	-	(1,768,220)
Public works	1,590,587	-	260,041	-	(1,330,546)	-	(1,330,546)
Parks, recreation and culture	449,020	1,921	-	-	(447,099)	-	(447,099)
Interest long-term debt	66,455	-	-	-	(66,455)	-	(66,455)
Total governmental activities	5,687,487	158,086	353,081	-	(5,176,320)	-	(5,176,320)
Business-type activities							
Water and sewer services	3,689,754	3,918,729	-	624,895	-	853,870	853,870
Sanitation and waste removal	787,062	1,103,545	-	-	-	316,483	316,483
Storm water management	156,209	362,521	-	-	-	206,312	206,312
Total business-type activities	4,633,025	5,384,795	-	624,895	-	1,376,665	1,376,665
Total primary government	\$ 10,320,512	\$ 5,542,881	\$ 353,081	\$ 624,895	(5,176,320)	1,376,665	(3,799,655)
General revenues							
Taxes							
Property					4,013,771	-	4,013,771
Income					1,217,881	-	1,217,881
Franchise fee					175,316	-	175,316
Investment earnings					18,392	11,032	29,424
Miscellaneous					92,245	-	92,245
Transfers					426,764	(426,764)	-
Total general revenues and transfers					5,944,369	(415,732)	5,528,637
Change in net position					768,049	960,933	1,728,982
Net position - beginning of year					19,123,832	26,420,851	45,544,683
Net position - end of year					\$ 19,891,881	\$ 27,381,784	\$ 47,273,665

See Notes to Financial Statements.

**Town of La Plata, Maryland**

**Balance Sheet - Governmental Funds  
June 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Government Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 3,917,747	\$ 58,188	\$ 3,975,935
Investments, including accrued interest	5,639,165	92,696	5,731,861
Property taxes receivable	38,824	-	38,824
Due from other governments	119,408	7,993	127,401
Other receivables	32,752	-	32,752
Prepaid expenses	71,327	-	71,327
	<u>\$ 9,819,223</u>	<u>\$ 158,877</u>	<u>\$ 9,978,100</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 184,268	\$ 143,377	\$ 327,645
Deposits	47,142	-	47,142
	<u>231,410</u>	<u>143,377</u>	<u>374,787</u>
Fund balances			
Nonspendable			
Prepaid expenses	71,327	-	71,327
Restricted			
Highway User Revenue Reserve	180,901		180,901
Assigned			
Park and Recreation Facilities	49,569	-	49,569
Transportation Improvements	332,624	-	332,624
Vehicle Replacement	1,079,178	-	1,079,178
Forest Conservation	8,774	-	8,774
Contingency	1,600,000	-	1,600,000
Equipment Replacement	30,000		30,000
Storm Reserve	51,227		51,227
Public Education	-	15,500	15,500
Unassigned	6,184,213	-	6,184,213
	<u>9,587,813</u>	<u>15,500</u>	<u>9,603,313</u>
	<u>\$ 9,819,223</u>	<u>\$ 158,877</u>	<u>\$ 9,978,100</u>

See Notes to Financial Statements.

**Town of La Plata, Maryland**

**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
June 30, 2014**

Total fund balances - governmental funds \$ 9,603,313

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 as assets in governmental funds.

Cost of capital assets	\$ 17,111,948	
Accumulated depreciation	<u>(5,043,482)</u>	
		12,068,466

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

General obligation bonds	(1,543,503)	
Accrued interest payable	(9,443)	
Notes payable	(18,000)	
Accumulated unused compensated absences	<u>(208,952)</u>	
		<u>(1,779,898)</u>

Total net position - governmental activities \$ 19,891,881

**Town of La Plata, Maryland**

**Statement of Revenue, Expenditures and Changes in  
Fund Balance - Governmental Funds  
Year Ended June 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Government Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenue			
Taxes	\$ 5,231,652	\$ -	\$ 5,231,652
Licenses and permits	300,542	-	300,542
Intergovernmental	337,840	15,241	353,081
Charges for services	32,860	-	32,860
Miscellaneous	92,245	-	92,245
	<u>5,995,139</u>	<u>15,241</u>	<u>6,010,380</u>
Total revenue			
Expenditures			
Current			
General government	1,624,318	-	1,624,318
Public safety	1,781,586	12,184	1,793,770
Public works	2,537,856	-	2,537,856
Parks, recreation and culture	473,913	-	473,913
Capital outlay	-	3,057	3,057
Debt service			
Principal reduction	211,846	-	211,846
Interest	69,136	-	69,136
	<u>6,698,655</u>	<u>15,241</u>	<u>6,713,896</u>
Total expenditures			
Excess of expenditures over revenue	<u>(703,516)</u>	<u>-</u>	<u>(703,516)</u>
Other financing sources			
Investment earnings	18,392	-	18,392
Transfers	426,764	-	426,764
	<u>445,156</u>	<u>-</u>	<u>445,156</u>
Total other financing sources			
Excess of expenditures and other financing sources over revenue and other financing sources	(258,360)	-	(258,360)
Fund balances at beginning of year	<u>9,846,173</u>	<u>15,500</u>	<u>9,861,673</u>
Fund balances at end of year	<u>\$ 9,587,813</u>	<u>\$ 15,500</u>	<u>\$ 9,603,313</u>

See Notes to Financial Statements.

**Town of La Plata, Maryland**

**Reconciliation of the Governmental Funds Statement of Revenue,  
Expenditures and Changes in Fund Balances to the  
Statement of Activities  
Year Ended June 30, 2014**

Excess of expenditures and other financing sources over revenue and other financing sources - governmental funds	\$	(258,360)
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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 cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	1,341,552	
Depreciation		<u>(539,071)</u>	
			802,481

Repayment of loan principal is an expenditure in the general fund, but the repayment reduces noncurrent liabilities in the statement of net position.	211,846
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, requiring the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues. The additional interest reported in the statement of activities is the result of accrued interest on long-term debt. This is the amount by which accrued interest (increased) decreased.	2,681
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount by which accumulated unused compensated absences increased.	<u>9,401</u>
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Change in net position of governmental activities	<u><u>\$ 768,049</u></u>
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**Town of La Plata, Maryland**

**Statement of Revenue, Expenditures and Changes in Fund Balance -  
Budget and Actual - General Fund  
Year Ended June 30, 2014**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 4,923,205	\$ 4,923,205	\$ 5,231,652	\$ 308,447
Licenses and permits	225,120	225,120	300,542	75,422
Intergovernmental	131,020	131,020	337,840	206,820
Service charges	22,650	22,650	32,860	10,210
Miscellaneous	56,000	56,000	110,637	54,637
<b>Total revenues</b>	<b>5,357,995</b>	<b>5,357,995</b>	<b>6,013,531</b>	<b>655,536</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,700,820	1,629,390	1,624,318	5,072
Public safety	1,837,730	1,796,605	1,781,586	15,019
Public works	1,514,035	2,622,435	2,537,856	84,579
Parks, recreation and culture	574,825	474,725	473,913	812
Debt service	281,615	281,615	280,982	633
<b>Total expenditures</b>	<b>5,909,025</b>	<b>6,804,770</b>	<b>6,698,655</b>	<b>106,115</b>
<b>Other financing sources</b>				
Transfers in	261,930	261,930	426,764	164,834
<b>Net change in fund balance</b>	<b>\$ (289,100)</b>	<b>\$ (1,184,845)</b>	<b>(258,360)</b>	<b>\$ 926,485</b>
Fund balance at beginning of year			9,846,173	
Fund balance at end of year			<b>\$ 9,587,813</b>	

See Notes to Financial Statements.

**Town of La Plata, Maryland**

**Statement of Net Position - Proprietary Funds  
June 30, 2014**

	Business Type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Sanitation Fund	Nonmajor Proprietary Fund	Business-Type Activities
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 1,188,839	\$ 318,053	\$ 83,721	\$ 1,590,613
Investments	1,665,171	445,488	117,264	2,227,923
Service charges receivable	969,770	318,045	95,301	1,383,116
Due from other governments	1,144,700	-	-	1,144,700
	<u>4,968,480</u>	<u>1,081,586</u>	<u>296,286</u>	<u>6,346,352</u>
Capital assets				
Land	399,295	-	6,200	405,495
Buildings	13,946,581	-	-	13,946,581
Improvements	176,225	-	-	176,225
Infrastructure	27,333,049	-	1,336,434	28,669,483
Other equipment	1,633,453	117,078	2,138	1,752,669
Vehicles and mobile equipment	505,063	358,787	21,530	885,380
Construction-in-progress	53,755	-	-	53,755
	<u>44,047,421</u>	<u>475,865</u>	<u>1,366,302</u>	<u>45,889,588</u>
Less accumulated depreciation	<u>(13,685,706)</u>	<u>(326,559)</u>	<u>(468,444)</u>	<u>(14,480,709)</u>
	<u>30,361,715</u>	<u>149,306</u>	<u>897,858</u>	<u>31,408,879</u>
Total assets	<u>\$ 35,330,195</u>	<u>\$ 1,230,892</u>	<u>\$ 1,194,144</u>	<u>\$ 37,755,231</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 943,413	\$ 63,892	\$ 5,112	\$ 1,012,417
Accrued liabilities	56,479	-	-	56,479
Revenue bonds payable	680,869	-	-	680,869
General obligation bonds payable	129,988	-	-	129,988
Compensated absences	891	452	-	1,343
Due to other governments	-	-	-	-
Noncurrent liabilities				
Revenue bonds payable	7,644,831	-	-	7,644,831
General obligation bonds payable	825,869	-	-	825,869
Compensated absences	14,734	5,927	990	21,651
Total liabilities	<u>10,297,074</u>	<u>70,271</u>	<u>6,102</u>	<u>10,373,447</u>
<b>Net position</b>				
Invested in capital assets, net of related debt	21,226,307	149,306	897,858	22,273,471
Restricted				
Major facility fee	1,742,389	-	-	1,742,389
Unrestricted	2,064,425	1,011,315	290,184	3,365,924
Total net position	<u>25,033,121</u>	<u>1,160,621</u>	<u>1,188,042</u>	<u>27,381,784</u>
Total liabilities and net position	<u>\$ 35,330,195</u>	<u>\$ 1,230,892</u>	<u>\$ 1,194,144</u>	<u>\$ 37,755,231</u>

See Notes to Financial Statements.

**Town of La Plata, Maryland**

**Statement of Revenue, Expenses and Changes  
in Net Position - Proprietary Funds  
Year Ended June 30, 2014**

	Business Type Activities - Enterprise Funds			Total Business-Type Activities
	Water and Sewer Fund	Sanitation Fund	Nonmajor Proprietary Fund	
Operating revenue				
Current use charges	\$ 3,881,259	\$ 1,069,027	\$ 362,521	\$ 5,312,807
Miscellaneous				
Water meters	12,920	-	-	12,920
Bulk water	422	-	-	422
Other	24,128	34,518	-	58,646
Total operating revenue	<u>3,918,729</u>	<u>1,103,545</u>	<u>362,521</u>	<u>5,384,795</u>
Operating expenses				
Salaries and payroll expense	381,178	200,307	82,569	664,054
Electricity	510,912	-	-	510,912
Repairs and maintenance of systems and equipment	189,471	12,258	-	201,729
Other operating expenses	1,358,214	537,340	15,409	1,910,963
Depreciation	1,084,979	37,157	58,231	1,180,367
Total operating expenses	<u>3,524,754</u>	<u>787,062</u>	<u>156,209</u>	<u>4,468,025</u>
Operating income	<u>393,975</u>	<u>316,483</u>	<u>206,312</u>	<u>916,770</u>
Nonoperating revenue (expenses)				
Interest income	9,144	1,888	-	11,032
Interest charges	(165,000)	-	-	(165,000)
Grant proceeds	624,895	-	-	624,895
Total nonoperating revenue	<u>469,039</u>	<u>1,888</u>	<u>-</u>	<u>470,927</u>
Income before transfers	863,014	318,371	206,312	1,387,697
Transfers out	<u>(270,114)</u>	<u>(126,395)</u>	<u>(30,255)</u>	<u>(426,764)</u>
Change in net position	592,900	191,976	176,057	960,933
Net position - beginning of year	<u>24,440,221</u>	<u>968,645</u>	<u>1,011,985</u>	<u>26,420,851</u>
Net position - end of year	<u>\$ 25,033,121</u>	<u>\$ 1,160,621</u>	<u>\$ 1,188,042</u>	<u>\$ 27,381,784</u>

See Notes to Financial Statements.

**Town of La Plata, Maryland**

**Statement of Cash Flows - Proprietary Funds  
Year Ended June 30, 2014**

	Business Type Activities - Enterprise Funds			Total Business-Type Activities
	Water and Sewer Fund	Sanitation Fund	Nonmajor Proprietary Fund	
Cash flows for operating activities				
Receipts from customers	\$ 3,936,055	\$ 1,104,709	\$ 358,107	\$ 5,398,871
Payments to employees	(381,084)	(201,391)	(82,707)	(665,182)
Payments to suppliers for goods and services	(2,285,174)	(574,133)	(27,486)	(2,886,793)
Net cash provided by operating activities	<u>1,269,797</u>	<u>329,185</u>	<u>247,914</u>	<u>1,846,896</u>
Cash flows from noncapital financing activities				
Transfers out	(270,114)	(126,395)	(30,255)	(426,764)
Net cash used in noncapital financing activities	<u>(270,114)</u>	<u>(126,395)</u>	<u>(30,255)</u>	<u>(426,764)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(743,657)	-	(101,689)	(845,346)
Principal paid on bonds	(756,036)	-	-	(756,036)
Proceeds from bonds payable	18,701	-	-	18,701
Grant proceeds received	280,996	-	-	280,996
Interest paid on bonds	(168,931)	-	-	(168,931)
Net cash used in capital and related financing activities	<u>(1,368,927)</u>	<u>-</u>	<u>(101,689)</u>	<u>(1,470,616)</u>
Cash flows from investing activities				
(Deposits) withdrawals made for investments	195,288	(132,217)	(48,355)	14,716
Interest earned	9,144	1,888	-	11,032
Net cash (used in) provided by investing activities	<u>204,432</u>	<u>(130,329)</u>	<u>(48,355)</u>	<u>25,748</u>
Net increase (decrease) in cash and cash equivalents	(164,812)	72,461	67,615	(24,736)
Cash and cash equivalents, beginning of year	<u>1,353,651</u>	<u>245,592</u>	<u>16,106</u>	<u>1,615,349</u>
Cash and cash equivalents, end of year	<u>\$ 1,188,839</u>	<u>\$ 318,053</u>	<u>\$ 83,721</u>	<u>\$ 1,590,613</u>

**Town of La Plata, Maryland**

**Statement of Cash Flows - Proprietary Funds  
Year Ended June 30, 2014**

	Business Type Activities - Enterprise Funds			Total Business-Type Activities
	Water and Sewer Fund	Sanitation Fund	Nonmajor Proprietary Fund	
Operating income	\$ 393,975	\$ 316,483	\$ 206,312	\$ 916,770
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,084,979	37,157	58,231	1,180,367
Changes in assets and liabilities				
Accounts receivable	17,326	1,164	(4,414)	14,076
Accounts payable	(207,827)	(24,535)	(12,077)	(244,439)
Due to other government	(18,750)	-	-	(18,750)
Compensated absences	94	(1,084)	(138)	(1,128)
 Net cash provided by operating activities	 <u>\$ 1,269,797</u>	 <u>\$ 329,185</u>	 <u>\$ 247,914</u>	 <u>\$ 1,846,896</u>

**Town of La Plata, Maryland**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1 - Summary of significant accounting policies**

The Town of La Plata, Maryland, ("Town") was incorporated in 1888 under the provisions of Maryland State Law and adopted a new charter by Resolution No. 1 of the Commission of La Plata on February 1, 1962. The Town operates under a Council-Manager form of government and provides such services as authorized by its Charter.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant accounting policies followed in the preparation of the basic financial statements:

**Reporting entity**

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, organizations, agencies, boards, commissions and authorities for which the Town is financially accountable. The Town has also considered all other potential organizations for which the nature and significance of their relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board ("GASB") has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of the organization's governing body, and 1) the ability of the Town to impose its will on that organization, or 2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the Town. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

**Government-wide and fund financial statements**

**Government-wide Financial Statements:** The government-wide financial statements report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**Statement of Net Position:** This statement is designed to display the financial position of the Town as of year-end. Governmental activities are reported on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets, including infrastructure, as well as long-term debt and obligations. The Town's net position is reported in three categories: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted.

**Statement of Activities:** This statement demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other

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items not included among program revenues are reported as general revenues. The Town does not allocate indirect expenses.

**Fund Financial Statements:** Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Budget-to-Actual Comparison Statements:** Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual budgets of state and local governments, and have an interest in following the financial progress of their governments over the course of the year. For this reason, the Town has chosen to make its General Fund budget-to-actual comparison statements part of the basic financial statements. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons; as a result, both the original adopted budget and the final amended budget have been reflected in this statement.

**Fund accounting**

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position, revenues, and expenditures or expenses, as appropriate. The Town has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The Town has one major governmental fund. The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some separate fund are accounted for in this fund.

**Proprietary Fund Types:** Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position, and cash flows. Financial Accounting Standards Board ("FASB") pronouncements issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of

**Town of La Plata, Maryland**  
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following FASB pronouncements for their business-type activities and enterprise funds, subject to this same limitation. The Town has not elected to follow subsequent private sector guidance.

An enterprise fund is used to finance and account for the acquisition, operation, and maintenance of the Town's facilities and services which are supported primarily by user charges. The Town has two major enterprise funds. The Water and Sewer Fund accounts for the operation and maintenance of the water and sanitary sewer system. The Sanitation Fund accounts for the operation of the waste disposal system.

**Measurement focus and basis of accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is 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 eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services, and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

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The Town is responsible for billing and collecting property taxes in accordance with enabling state legislation. However, the Town has entered into an agreement with Charles County whereby the County bills and collects the Town's share of real estate taxes along with the County's real estate taxes. Property taxes become a lien on the first day of the levy year, which is July 1 to June 30. Tax payments are due in one installment by September 30, or two semiannual installments, by September 30 and December 31, at the taxpayer's option, after which interest is accrued. Unpaid taxes are collected through the annual tax sale held by the Charles County Treasurer, generally on the second Tuesday in May of each year.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Use of estimates**

The preparation of financial statements requires the Town to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**Budgetary data**

Budgetary data is presented in the basic financial statements for the General Fund. Outstanding encumbrances and transfers to vehicle replacement reserves are recorded as expenditures. In addition, transfers from unappropriated surpluses are recorded as revenue.

**Cash, cash equivalents and investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with remaining maturities of three months or less. Short-term investments are stated at fair value, and consist of investments in the Maryland Local Government Investment Pool ("MLGIP") and certificates of deposit. Fair value generally approximates cost.

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**Receivables**

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Delinquent accounts receivable are not considered fully collectible and therefore an allowance for uncollectible accounts has been provided. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. As of June 30, 2014, the allowance for uncollectible accounts totaled \$18,081.

An accounts receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is charged on accounts receivable that are outstanding for more than 30 days and is recognized as charged.

**Prepaid items**

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed

**Capital assets**

Capital assets, including land, buildings, improvements, equipment, and infrastructure (roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

GASB Statement No. 34 requires the Town to prospectively report all governmental activities' infrastructure assets acquired after June 30, 2003, and encourages, but does not require, the Town to retroactively report infrastructure assets acquired after June 30, 1980. The Town has elected not to retroactively report infrastructure assets and the accompanying basic financial statements only include infrastructure assets acquired after June 30, 2003.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

**Town of La Plata, Maryland**  
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Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

	Estimated useful lives
Buildings	25 - 40
Infrastructure (including water lines and pumping station)	15 - 35
Improvements other than building	15
Other equipment	5 - 15
Vehicles and mobile equipment	5 - 15

**Interfund transactions**

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" or "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Interfund receivables and payables are noninterest bearing and are normally settled in the subsequent period.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements as either transfers in or out.

**Compensated absences**

It is the Town's policy to permit employees to be paid for accumulated earned but unused vacation upon separation of service. Vacation is accrued when earned in the government-wide statements, as well as the proprietary fund statements.

For governmental fund types, the amount of accumulated unpaid vacation which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. As of June 30, 2014, no accumulated unpaid vacation leave had matured, resulting in it being maintained separately and being a reconciling item between the fund and government-wide financial statement presentations.

**Net position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position invested in capital assets, net of related debt excludes unspent debt proceeds. Net position is reported as

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restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

The Town first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Deferred compensation plan**

The Town offers its employees a deferred compensation plan in accordance with Internal Revenue Code ("IRC") Section 457. The plan, available to all Town employees, permits employees to defer a portion of their salaries until future years. Participation in the plan is optional, and participants elect how their salary deferrals are invested. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The IRC prescribes that the Town does not own the amounts deferred by employees, including the related income on these amounts. Accordingly, the assets and the liability for the deferred compensation plan participants, including earnings on plan assets, are not included in the Town's financial statements. The plan assets will not be subject to the claims of the public entity's creditors during financial crisis.

**Governmental money purchase plan and trust**

The Town offers its Town Manager and Town Treasurer a defined contribution money purchase plan in accordance with IRC Section 401(a). The Town is required to make a fixed contribution on behalf of each participant. Each participant may make a voluntary, unmatched after tax contribution, subject to certain limitations. Participants are immediately vested in both employer and employee contributions. In-service distributions of the rollover account are permitted by the plan. The IEIC prescribes that the Town does not own the amounts deferred by the participants, including the related income on these amounts. Accordingly, the assets and the liability for the plan participants, including earnings on plan assets, are not included in the Town's financial statements. The plan assets will not be subject to the claims of the public entity's creditors during financial crisis.

**New Governmental Accounting Standards Board Standards**

GASB has issued the pronouncements noted below, prior to the year ended June 30, 2014, the implementation of which may impact the financial statements of the Town:

- GASB Statement No. 67, "Financial Reporting for Pension Plans," is effective for the Town beginning with its year ending June 30, 2014. This statement is designed to improve financial reporting primarily through enhancing the decision usefulness of the financial reports for the Town's pension plan, their value for assessing accountability, and their transparency by providing information about measures of net position liabilities and explanations of how and why these liabilities changed from year to year. The implementation of this statement did not have a material impact on the financial position of the Town.

## Town of La Plata, Maryland

### Notes to Financial Statements June 30, 2014

- GASB Statement No. 68, "Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27," will be effective for the Town beginning with its year ending June 30, 2015. This statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Government Employers" and Statement No. 50, "Pension Disclosure." Additionally, Statement No. 68 enhances accountability and transparency through new and revised note disclosures and required supplementary information. The Town is still evaluating the impact of implementation of this statement, but does not expect the effect of this statement to have a material impact on the financial position of the Town.
- GASB Statement No. 69, "Government Combinations and Disposals of Government Obligations," will be effective for the Town beginning with its year ending June 30, 2015. This statement provides guidance relating to measurement, accounting, and financial reporting of government combinations as well as disposals of government operations. The statement also requires disclosures to be made about governmental combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of those transactions. In addition, Statement No. 69 provides guidance for transfers of operations that do not constitute entirely legally separate entities and in which no significant consideration is exchanged. The Town is still evaluating the impact of implementation of this statement, but does not expect the effect of this statement to have a material impact on the financial position of the Town.
- GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees," is effective for the Town beginning with its year ended June 30, 2014. This statement was designed to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Statement No. 70 is expected to enhance the comparability of financial statements among governments, as well as enhance disclosures about obligations and risk exposure from extending nonexchange transactions in order to allow financial statement users the ability to assess the probability that a government will be required to repay obligations under the financial guarantee. The implementation of this statement did not have a material impact on the financial position of the Town.
- GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," will be effective for the Town beginning with its year ending June 30, 2015. This statement was designed to address an issue regarding application of the transition provisions of Statement No. 68. Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Town is still evaluating the impact of implementation of this statement, but does not expect the effect of this statement to have a material impact on the financial position of the Town.

**Town of La Plata, Maryland**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 2 - Cash and cash equivalents and investments**

Maryland State law requires that all local governments within the State adopt a written investment policy that complies with State Finance & Procurement Article §6-222 and Article 95 §22F of the Annotated Code of Maryland and which meets or exceeds standards on investments published by the Government Finance Officers Association ("GFOA") and/or Municipal Treasurer's Association. The Town has adopted such a policy and it provides the Town with a variety of investment options. The Town invests primarily in certificates of deposit and deposits in the MLGIP, which are carried at cost, plus accrued interest. The MLGIP is rated "AAA" by Standard and Poor's (their highest rating). As of June 30, 2014, the Town's investment in MLGIP totaled \$1,415,848.

The Town's investment policy does not permit investment maturities to exceed one year as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2014, all of the Town's certificates of deposit had a maturity of one year or less. As of June 30, 2014, the Town's investment in certificates of deposit and money market accounts totaled \$6,543,936.

**Custodial credit risk**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Maryland State Law prescribes that local government units such as the Town must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2014, all of the Town's deposits were either covered by federal depository insurance or were covered by collateral held by the Town's agent in the Town's name.

Additionally, in accordance with reporting requirements of GASB Statement No. 40, the Town does not have any interest rate risk associated with investments. Investments in the MLGIP and certificate of deposits are priced on a daily basis, with funds availability also on a daily basis. It should also be noted that the Town does not have any foreign currency risk associated with any investments.

**Note 3 - Interfund transfers**

Interfund transfers for the year ended June 30, 2014, consisted of transfers in the Town's normal course of business from the Water and Sewer Fund, the Sanitation Fund, and the Nonmajor Proprietary Fund to the General Fund totaling \$426,764.

**Town of La Plata, Maryland**  
**Notes to Financial Statements**  
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**Note 4 - Due from other governments**

The June 30, 2014 balance of due from other governments is as follows:

Governmental Activities		
State Highway Administration	\$	33,923
Income tax		<u>93,478</u>
		127,401
Business-Type Activities		
Maryland Department of the Environment		<u>1,144,700</u>
Total	\$	<u><u>1,272,101</u></u>

**Note 5 - Capital assets**

A summary of changes in governmental activities capital assets for the year ended June 30, 2014 is as follows:

Asset Class	Balance June 30, 2013	Additions and Transfers	Disposals and Transfers	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 3,519,496	\$ -	\$ -	\$ 3,519,496
Construction in progress	<u>6,625</u>	<u>1,753</u>	<u>-</u>	<u>8,378</u>
Total capital assets not being depreciated	<u>3,526,121</u>	<u>1,753</u>	<u>-</u>	<u>3,527,874</u>
Capital assets being depreciated				
Buildings	6,404,777	1,151,181	-	7,555,958
Improvements other than buildings	788,691	68,263	-	856,954
Infrastructure	3,009,573	50,745	-	3,060,318
Other equipment	468,308	-	-	468,308
Vehicles and mobile equipment	<u>1,572,926</u>	<u>69,610</u>	<u>-</u>	<u>1,642,536</u>
Total capital assets being depreciated	<u>12,244,275</u>	<u>1,339,799</u>	<u>-</u>	<u>13,584,074</u>
Accumulated depreciation for:				
Buildings	(1,399,092)	(184,609)	-	(1,583,701)
Improvements other than buildings	(321,832)	(50,357)	-	(372,189)
Infrastructure	(1,143,127)	(165,650)	-	(1,308,777)
Other equipment	(396,985)	(22,110)	-	(419,095)
Vehicles and mobile equipment	<u>(1,243,375)</u>	<u>(116,345)</u>	<u>-</u>	<u>(1,359,720)</u>
Total accumulated depreciation	<u>(4,504,411)</u>	<u>(539,071)</u>	<u>-</u>	<u>(5,043,482)</u>
Total capital assets, being depreciated, net	<u>7,739,864</u>	<u>800,728</u>	<u>-</u>	<u>8,540,592</u>
Governmental capital assets, net	<u>\$ 11,265,985</u>	<u>\$ 802,481</u>	<u>\$ -</u>	<u>\$ 12,068,466</u>

**Town of La Plata, Maryland**  
**Notes to Financial Statements**  
**June 30, 2014**

A summary of changes in business-type activities capital assets for the year ended June 30, 2014 is as follows:

Asset Class	Balance June 30, 2013	Additions and Transfers	Disposals and Transfers	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 405,495	\$ -	\$ -	\$ 405,495
Construction in progress	9,397,558	-	(9,343,803)	53,755
Total capital assets not being depreciated	9,803,053	-	(9,343,803)	459,250
Capital assets being depreciated				
Buildings	13,330,851	615,730	-	13,946,581
Infrastructure	19,290,836	9,378,647	-	28,669,483
Improvements other than buildings	22,450	153,775	-	176,225
Other equipment	1,700,252	52,417	-	1,752,669
Vehicles and mobile equipment	896,800	-	(11,420)	885,380
Total capital assets being depreciated	35,241,189	10,200,569	(11,420)	45,430,338
Accumulated depreciation for:				
Buildings	(5,754,655)	(331,851)	-	(6,086,506)
Infrastructure	(5,528,971)	(713,008)	-	(6,241,979)
Improvements other than buildings	(6,286)	(6,669)	-	(12,955)
Other equipment	(1,356,815)	(97,984)	-	(1,454,799)
Vehicles and mobile equipment	(653,615)	(30,855)	-	(684,470)
Total accumulated depreciation	(13,300,342)	(1,180,367)	-	(14,480,709)
Total capital assets, being depreciated, net	21,940,847	9,020,202	(11,420)	30,949,629
Business-type capital assets, net	\$ 31,743,900	\$ 9,020,202	\$ (9,355,223)	\$ 31,408,879

**Town of La Plata, Maryland**  
**Notes to Financial Statements**  
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Depreciation expense was charged in the statement of activities for the year ended June 30, 2014 as follows:

Governmental activities		
General government	\$	112,712
Public safety		126,167
Public works		258,492
Parks, recreation and culture		41,700
		<u>539,071</u>
	\$	<u>539,071</u>
Business-type activities		
Water and sewer fund	\$	1,084,979
Sanitation fund		37,157
Nonmajor proprietary fund		58,231
		<u>58,231</u>
	\$	<u>1,180,367</u>

**Note 6 - Long-Term Liabilities**

Long-term liability activity as of and for the year ended June 30, 2014, is as follows:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Governmental activities					
General obligation bonds	\$ 1,753,349	\$ -	\$ (209,846)	\$ 1,543,503	\$ 213,678
Notes payable	20,000	-	(2,000)	18,000	2,000
Compensated absences	218,353	19,012	(28,413)	208,952	23,670
	<u>\$ 1,991,702</u>	<u>\$ 19,012</u>	<u>\$ (240,259)</u>	<u>\$ 1,770,455</u>	<u>\$ 239,348</u>
Business-type activities					
Revenue bonds	\$ 8,936,714	\$ 18,701	\$ (629,715)	\$ 8,325,700	\$ 680,869
General obligation bonds	1,082,178	-	(126,321)	955,857	129,988
Compensated absences	24,122	861	(1,989)	22,994	1,343
	<u>\$ 10,043,014</u>	<u>\$ 19,562</u>	<u>\$ (758,025)</u>	<u>\$ 9,304,551</u>	<u>\$ 812,200</u>

**Town of La Plata, Maryland**  
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General obligation bonds payable relating to governmental activities at June 30, 2014 consists of the following:

Town of La Plata, General Obligation Bond, 1-03; authorized amount \$1,712,040; interest at 3.61% payable in semiannual payments of principal and interest. Principal serially redeemed through August 25, 2018.	\$ 513,611
Town of La Plata, Community Development Administration Infrastructure Financing Bond 2006 Series A; authorized amount \$315,510; interest at varying rates not to exceed 4.15% payable semiannually. Principal serially redeemed through June 1, 2016.	72,868
Town of La Plata, Community Development Administration Infrastructure Financing Bond 2006 Series A; authorized amount \$1,390,189, interest at varying rates not to exceed 4.40% payable semiannually. Principal serially redeemed	<u>957,024</u>
	<u><u>\$ 1,543,503</u></u>

Notes payable relating to governmental activities at June 30, 2014 consists of the following:

Note payable with fire house, noninterest bearing, payable in annual installments of \$2,000 through June 2023.	<u><u>\$ 18,000</u></u>
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A schedule of maturities of the general obligation bonds payable and notes payable relating to governmental activities as of June 30, 2014 is as follows:

<b>Governmental Debt</b>			
	Principal	Interest	Total
June 30, 2015	\$ 215,678	\$ 61,044	\$ 276,722
2016	219,435	52,793	272,228
2017	184,860	44,386	229,246
2018	187,621	37,413	225,034
2019	132,680	30,326	163,006
2020 - 2024	428,341	97,066	525,407
2025 - 2026	<u>192,888</u>	<u>12,683</u>	<u>205,571</u>
	<u><u>\$ 1,561,503</u></u>	<u><u>\$ 335,711</u></u>	<u><u>\$ 1,897,214</u></u>

The entire accumulated unused compensated absences liability for governmental activities will be liquidated by the general fund.

**Town of La Plata, Maryland**  
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Revenue bonds payable relating to business-type activities at June 30, 2014 consists of the following:

Town of La Plata, Maryland Water Quality Financing Administration Bond, Series 2010; authorized amount \$792,742; interest at 1% payable semiannually beginning August 2010 and including annual principal beginning August 2011. Principal serially redeemed through February 2030.	\$ 676,463
Town of La Plata, Maryland Water Quality Financing Administration Bond, Series 2010; authorized amount \$3,751,600; interest at 1% payable semiannually beginning August 2010 and including annual principal beginning August 2011. Principal serially redeemed through February 2030. All of the costs associated with the bond are to be paid from revenue sources generated from a special tax district.	3,139,204
La Plata Water Quality Bond 2000 Series; authorized amount \$7,700,000; semiannual principal and interest payments at 1.6%. Principal serially redeemed through February 1, 2023.	3,599,456
Town of La Plata, Maryland Water Quality Financing Administration Bond, Series 2011; authorized amount \$962,000; interest at 2.2% payable annually beginning February 2012 and including annual principal beginning August 2014. Principal serially redeemed through February 2033.	581,993
Town of La Plata, Maryland Drinking Water Bond, Series 2011A; authorized amount \$500,000; interest at 2.2% payable annually beginning February 2012 and including annual principal beginning February 2013. Principal serially redeemed through February 2032.	328,584
	\$ 8,325,700

**Town of La Plata, Maryland**  
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General obligation bonds payable relating to business-type activities at June 30, 2014 consists of the following:

Town of La Plata, General Obligation Bond 1-03; authorized amount \$487,960; interest at 3.61% payable in semiannual payments of principal and interest. Principal serially redeemed through August 25, 2018.	\$ 146,149
Town of La Plata, Community Development Administration Infrastructure Financing Bond 2006 Series A; authorized amount \$444,390; interest at varying rates not to exceed 4.15% payable in semiannual payments of principal and interest. Principal serially redeemed through June 1, 2016.	102,632
Town of La Plata, Community Development Administration Infrastructure Financing Bond 2006 Series A; authorized amount \$1,027,111; interest at varying rates not to exceed 4.40% payable in semiannual payments of principal and interest. Principal serially redeemed through June 1, 2026.	<u>707,076</u>
	<u><u>\$ 955,857</u></u>

A schedule of maturities of the revenue bonds payable and general obligation bonds payable relating to business-type activities as of June 30, 2014 is as follows:

<b>Business Type Debt</b>			
	Principal	Interest	Total
June 30, 2015	\$ 810,857	\$ 126,330	\$ 937,187
2016	823,506	114,162	937,668
2017	783,134	101,926	885,060
2018	795,385	91,672	887,057
2019	790,823	81,231	872,054
2020 - 2024	3,451,930	259,545	3,711,475
2025 - 2033	<u>1,825,922</u>	<u>69,123</u>	<u>1,895,045</u>
	<u><u>\$ 9,281,557</u></u>	<u><u>\$ 843,989</u></u>	<u><u>\$ 10,125,546</u></u>

**Note 7 - Risk management**

The Town is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has purchased commercial insurance and joined the Local Government Insurance Trust ("LGIT") to handle potential losses. LGIT was organized for the purpose of minimizing the cost of insurance and related administrative expenses. The Town pays an

## Town of La Plata, Maryland

### Notes to Financial Statements June 30, 2014

annual premium to LGIT for its general insurance coverage. The agreement with LGIT provides that LGIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000. The Town continues to carry commercial insurance for employee health and accident insurance and workers compensation. Settled claims resulting from these risks have not exceeded coverage amounts, and no significant reductions in insurance coverage have occurred, in any of the past three fiscal years.

#### **Note 8 - Retirement plans**

##### **Plan description**

The employees of the Town are covered by the State Retirement and Pension System of Maryland, an agent multiple-employer public employee retirement system, administered by the State Retirement Agency.

All classified employees hired within the State after December 31, 1979, must join the "Pension System for Employees." These pension plans provide pension benefits and death and disability benefits. A member may retire as early as age 55 and 15 years of service from the Pension System. Benefits generally vest after five years of service. The State Retirement Agency issues a comprehensive annual financial report for the State Retirement and Pension System of Maryland. That report may be obtained by writing to State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202-1600, or by calling 1-410-625-5555.

##### **Funding policy**

The "Pension System" for employees is jointly contributory. Under the "Pension System," employees contribute five percent of that part of their gross salary in excess of the social security taxable wage base. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the Systems are funded in advance. Annually appropriated employer contribution rates for retirement benefits are determined using the individual entry age normal cost method. The method produces an employer contribution rate consisting of 1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and 2) the amount for amortization of the unfunded actuarial accrued liability.

##### **Annual pension cost**

The Town's contributions totaling \$178,641, or 6.47 percent of covered payroll, for the period July 1, 2013 through June 30, 2014, were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2013. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.70 percent per year compounded annually, (b) projected salary increases of 3.50 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 3.45 percent to 11.95 percent per year, attributable to seniority/merit, (d) post-retirement benefit increases ranging from 1.69 percent to 3.45 percent per year depending on the system, (e) rates of mortality, termination of service, disablement and retirement are based on actual

**Town of La Plata, Maryland**

**Notes to Financial Statements  
June 30, 2014**

experience during the period from July 1, 2006 through June 30, 2010, and (f) the aggregate active member payroll is assumed to increase by 3.50 percent annually.

The actuarial value of assets is measured on both a market value and an actuarial or smoothed value basis. The actuarial smoothing method explicitly recognized each year's investment gain or loss over a five-year period with the final actuarial value not less than 80 percent or more than 120 percent of the market value of assets. The unfunded actuarial accrued liability ("UAAL") is being amortized as a level percentage of projected payroll, in two distinct pieces. The UAAL which existed as of the June 30, 2000 actuarial valuation is being amortized over the remaining 11-year period to June 30, 2020. Each new layer of UAAL arising subsequent to June 30, 2000 is being amortized over a 25-year period. A three-year trend of the Town's annual pension cost is as follows:

	Total Annual Pension Cost ("APC")	APC Contributed by the Town	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 182,364	\$ 182,364	100%	\$ -
June 30, 2013	143,112	143,112	100%	-
June 30, 2014	178,641	178,641	100%	-

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Note 9 - Commitments**

The Town is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. The total amount of pending lawsuits and claims not covered by insurance nor expressly provided for in these statements is considered to be immaterial.

Most cost-reimbursable grants specify the types of expenditures for which the grant or contracts funds may be used. The expenditures made by the Town under some of these grants are subject to audit. To date, the Town has not been notified of any significant unallowable costs relating to its grants. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audits will not have a material effect on the accompanying financial statements.

**Note 10 - Fund balance**

In accordance with GASB statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," the Town classifies governmental fund balances as follows:

- Nonspendable Fund Balance - includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual agreements.

## Town of La Plata, Maryland

### Notes to Financial Statements June 30, 2014

- Restricted Fund Balance - includes amounts that can be spent only for specific purposes because of restrictions imposed externally by creditors, grantors, contributors, laws or regulations of other governments or imposed by the Town Charter, Town Code, or enabling legislation.
- Assigned Fund Balance - includes spendable amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Town Treasurer.
- Unassigned Fund Balance - includes residual positive amounts within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Town spends restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the Town would first use assigned and then unassigned amounts of unrestricted fund balance when expenditures are made.

#### **Note 11 - Subsequent events**

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition and disclosure. The effects of the subsequent events that provide evidence about conditions that exist after the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that exist after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the Town through December 19, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**Required Supplementary Information**

**Town of La Plata, Maryland**

**Combined State Retirement and Pension System of Maryland  
June 30, 2013**

Schedule of funding progress (unaudited) for the combined state retirement and pension system of Maryland, is as follows:

(Expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") Entry Age (b)	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentages of Covered Payroll [(b-a)/c]
June 30, 2011	\$ 36,177,656	\$ 55,917,543	\$ 19,739,887	64.70%	\$ 10,478,800	188%
June 30, 2012	\$ 37,248,401	\$ 57,869,145	\$ 20,620,744	64.37%	\$ 10,336,537	199%
June 30, 2013	\$ 39,350,969	\$ 60,060,091	\$ 20,709,122	65.52%	\$ 10,477,544	198%

## **Supplementary Information**

**Town of La Plata, Maryland**

**Detail Schedule of Revenues - Budget and Actual - General Fund  
Year Ended June 30, 2014**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Taxes</b>				
Local property taxes				
Real property	\$ 3,632,930	\$ 3,632,930	\$ 3,738,238	\$ 105,308
Personal property	178,800	178,800	177,730	(1,070)
Railroads and public utilities	79,725	79,725	71,180	(8,545)
Penalties and interest	5,750	5,750	26,623	20,873
Income tax	1,026,000	1,026,000	1,217,881	191,881
Total taxes	<u>4,923,205</u>	<u>4,923,205</u>	<u>5,231,652</u>	<u>308,447</u>
<b>Licenses and permits</b>				
Traders	15,520	15,520	21,669	6,149
Construction permits	56,600	56,600	103,557	46,957
Franchise	150,000	150,000	175,316	25,316
Other	3,000	3,000	-	(3,000)
Total licenses and permits	<u>225,120</u>	<u>225,120</u>	<u>300,542</u>	<u>75,422</u>
<b>Intergovernmental</b>				
State Police Aid	48,500	48,500	77,799	29,299
Highway	82,520	82,520	260,041	177,521
Total intergovernmental	<u>131,020</u>	<u>131,020</u>	<u>337,840</u>	<u>206,820</u>
<b>Service charges</b>				
Rental inspection fees	19,000	19,000	19,221	221
Annexation applications	500	500	-	(500)
Other	3,150	3,150	13,639	10,489
Total service charges	<u>22,650</u>	<u>22,650</u>	<u>32,860</u>	<u>10,210</u>
<b>Miscellaneous</b>				
Fines and forfeitures	2,500	2,500	6,650	4,150
Investment earnings	20,000	20,000	18,392	(1,608)
Miscellaneous	1,000	1,000	19,307	18,307
Admission and amusement	2,500	2,500	3,157	657
Rents and concessions	20,000	20,000	57,719	37,719
Sale of surplus assets	10,000	10,000	5,412	(4,588)
Total miscellaneous	<u>56,000</u>	<u>56,000</u>	<u>110,637</u>	<u>54,637</u>
Total revenues	<u>\$ 5,357,995</u>	<u>\$ 5,357,995</u>	<u>\$ 6,013,531</u>	<u>\$ 655,536</u>

**Town of La Plata, Maryland**

**Detail Schedule of Expenditures - Budget and Actual - General Fund  
Year Ended June 30, 2014**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
General government				
Legislative	\$ 210,240	\$ 184,520	\$ 199,771	\$ (15,251)
Elections	-	-	-	-
Administration				
Salaries	378,820	313,140	312,030	1,110
Operating expenses	37,885	32,885	35,072	(2,187)
Capital outlay	1,700	1,700	-	1,700
	<u>418,405</u>	<u>347,725</u>	<u>347,102</u>	<u>623</u>
Financial administration				
Salaries	432,485	449,455	448,086	1,369
Operating expenses	51,260	59,260	58,709	551
	<u>483,745</u>	<u>508,715</u>	<u>506,795</u>	<u>1,920</u>
Law				
Operating expenses	60,000	69,450	69,421	29
Planning and zoning				
Salaries	258,650	258,650	244,144	14,506
Operating expenses	63,790	57,090	54,527	2,563
	<u>322,440</u>	<u>315,740</u>	<u>298,671</u>	<u>17,069</u>
Information technology				
Salaries	8,920	8,920	6,317	2,603
Operating expenses	83,090	54,090	68,605	(14,515)
Capital outlay	20,000	20,000	7,785	12,215
	<u>112,010</u>	<u>83,010</u>	<u>82,707</u>	<u>303</u>
Other general government				
HR/personnel	28,540	44,140	44,060	80
Operating expenses	65,440	76,090	75,791	299
	<u>93,980</u>	<u>120,230</u>	<u>119,851</u>	<u>379</u>
Total general government	<u>1,700,820</u>	<u>1,629,390</u>	<u>1,624,318</u>	<u>5,072</u>

**Town of La Plata, Maryland**

**Detail Schedule of Expenditures - Budget and Actual - General Fund  
Year Ended June 30, 2014**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Public safety				
Police Department				
Salaries	1,398,470	1,371,970	1,346,133	25,837
Operating expenses	210,580	210,580	196,512	14,068
Capital outlay	29,700	29,700	55,154	(25,454)
	<u>1,638,750</u>	<u>1,612,250</u>	<u>1,597,799</u>	<u>14,451</u>
Emergency preparedness				
Operating expenses	9,450	8,650	8,640	10
Inspections and enforcement				
Salaries	152,670	140,270	48,567	91,703
Operating expenses	36,860	35,435	126,580	(91,145)
	<u>189,530</u>	<u>175,705</u>	<u>175,147</u>	<u>558</u>
Total public safety	<u>1,837,730</u>	<u>1,796,605</u>	<u>1,781,586</u>	<u>15,019</u>
Public works				
Public works administration				
Salaries	427,840	427,840	428,814	(974)
Operating expenses	116,650	116,650	113,875	2,775
	<u>544,490</u>	<u>544,490</u>	<u>542,689</u>	<u>1,801</u>
Maintenance operations				
Salaries	208,815	208,815	195,628	13,187
Operating expenses	247,550	244,550	227,328	17,222
Capital outlay	-	1,111,400	1,141,266	(29,866)
	<u>456,365</u>	<u>1,564,765</u>	<u>1,564,222</u>	<u>543</u>
Streets				
Salaries	77,310	77,310	88,548	(11,238)
Operating expenses	345,620	345,620	342,397	3,223
Capital outlay	90,250	90,250	-	90,250
	<u>513,180</u>	<u>513,180</u>	<u>430,945</u>	<u>82,235</u>
Total public works	<u>1,514,035</u>	<u>2,622,435</u>	<u>2,537,856</u>	<u>84,579</u>

**Town of La Plata, Maryland**

**Detail Schedule of Expenditures - Budget and Actual - General Fund  
Year Ended June 30, 2014**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Parks, recreation and culture				
Park maintenance and recreation				
Salaries	120,295	120,295	142,989	(22,694)
Operating expenses	99,210	50,210	31,779	18,431
Capital outlay	110,750	110,750	107,094	3,656
	<u>330,255</u>	<u>281,255</u>	<u>281,862</u>	<u>(607)</u>
Community promotion				
Salaries	75,360	75,360	73,032	2,328
Operating expenses	169,210	118,110	119,019	(909)
	<u>244,570</u>	<u>193,470</u>	<u>192,051</u>	<u>1,419</u>
Total parks, recreation and culture	<u>574,825</u>	<u>474,725</u>	<u>473,913</u>	<u>812</u>
Debt service	<u>281,615</u>	<u>281,615</u>	<u>280,982</u>	<u>633</u>
Total expenditures	<u>\$ 5,909,025</u>	<u>\$ 6,804,770</u>	<u>\$ 6,698,655</u>	<u>\$ 106,115</u>