



Town of La Plata, Maryland
Financial Statements
and Independent Auditor's Report
June 30, 2016

Town of La Plata, Maryland

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Independent Auditor's Report

To 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, 2016, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 of La Plata, Maryland, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance 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 on pages 4 - 13 and the schedules of the Town's proportionate share of the net pension liability and pension plan contributions on pages 50 - 51 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 of La Plata, Maryland'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 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 15, 2016, on our consideration of the Town of La Plata, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 of La Plata, Maryland's internal control over financial reporting and compliance.



Baltimore, Maryland
December 15, 2016

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2016

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, 2016. 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 \$47,513,536 (net position). Of this amount, \$12,572,723 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's overall net position increased by \$1,462,723 in FY16. This is the net of the \$1,537,194 increase associated with governmental activities and the \$74,471 decrease associated with business-type activities.

As of the close of the current fiscal year, the Town's General Fund reported a fund balance of \$10,719,375, an increase of \$413,289 from the prior year, and the fund balance in the Town's Nonmajor Governmental Funds was unchanged at \$15,500.

The net position of the Town's business-type activities (Water and Sewer Fund, Sanitation Fund, Nonmajor Proprietary Fund) decreased by \$74,471 to \$26,885,876 in FY16.

Overall, the Town's total long-term obligations decreased by approximately \$1,984,226 in FY16. The General Fund obligations decreased by approximately \$739,975 and the Enterprise Fund debt decreased by approximately \$1,244,251, which includes the net pension liability.

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.

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.

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2016

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues ("governmental activities") from other functions that are intended to recover all or a significant portion of their costs through user fees and charges ("business-type activities"). The governmental activities of the Town include general government, public safety, public works, 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.

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 Non-major 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.

Town of La Plata, Maryland

**Management's Discussion and Analysis -
Required Supplementary Information
June 30, 2016**

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 \$47,513,536 at the close of the most recent fiscal year.

Of the Town's net position, \$33,387,592 or 70.26 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.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Town	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 11,102,182	\$ 10,709,141	\$ 6,657,606	\$ 6,678,744	\$ 17,759,788	\$ 17,387,885
Capital assets, net	12,187,083	12,125,381	28,679,356	29,974,979	40,866,439	42,100,360
Total assets	23,289,265	22,834,522	35,336,962	36,653,723	58,626,227	59,488,245
Deferred outflows of resources	556,413	247,593	110,459	39,700	666,872	287,293
Liabilities:						
Long-term liabilities	2,659,140	3,399,115	8,050,100	9,294,351	10,709,240	12,693,466
Other liabilities	365,142	394,186	480,699	406,921	845,841	801,107
Total liabilities	3,024,282	3,793,301	8,530,799	9,701,272	11,555,081	13,494,573
Deferred outflows of resources	193,736	198,348	30,746	31,804	224,482	230,152
Net position:						
Invested in capital assets, net of related debt	12,173,083	11,179,033	21,214,509	21,730,862	33,387,592	32,909,895
Restricted	-	-	1,553,221	1,670,204	1,553,221	1,670,204
Unrestricted	8,454,577	7,911,433	4,118,146	3,559,281	12,572,723	11,470,714
Total net position	\$ 20,627,660	\$ 19,090,466	\$ 26,885,876	\$ 26,960,347	\$ 47,513,536	\$ 46,050,813

Governmental activities. The Town's net position increased by \$1,537,194 as a result of governmental activities in FY16. This was actually greater than the overall change in the Town's net position for the year and was partially offset by a decrease in net position that occurred in the Town's business-type activities.

Overall governmental activity revenue increased by approximately \$590,517 or 8.46% in FY16 compared to FY15. There were increases in all revenue categories with the largest dollar increases occurring in Income Taxes, Operating Grants and Contributions, Property Taxes, Transfers, Hotel/Motel Taxes, and Capital Grants and Contributions. These increased \$166,480 (12.05%), \$92,995 (24.43%), \$81,756 (1.99%), \$80,950 (17.46%), \$70,045 (first year of collections so there was no comparable amount for FY15) and \$41,244 (there was no comparable amount for FY15), respectively. There were also small increases in Franchise Fee (11.46%/\$20,508), Miscellaneous (20.45%/\$20,300), Charges for Services (3.93%/\$13,997), and Investment Earning revenues (13.11%/\$2,422).

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2016

The amount of Income Tax revenue the Town receives annually is a function of the general economic conditions and the earnings of Town residents and businesses. The Town has no ability to control the amount of Income Tax revenue it receives each year. The State sets the rates and collects the tax for all the jurisdictions in the State and remits it to the respective local jurisdictions based on where the filers reside and/or the businesses are located. The \$166,480/12.05% FY16 increase is indicative of improving economic conditions and higher earnings for the Town's residents and businesses.

Operating Grant and Contribution revenues showed the next largest dollar increase. The increase was \$92,995 or 24.43% and is attributable to several factors. First, the Town received federal grant in the amount of \$67,527 to help defray the costs incurred cleaning up the major winter storm that occurred last winter. There was no similar grant in FY15. The amount of Highway User Revenue ("HUR") and State Aid for Police Protection ("SAPP") funding the Town received from the State in FY16 was also higher than it was in FY15. HUR funding was roughly \$36,210 higher and SAPP funding was about \$7,160 higher. The Town also received \$35,488 more in grant revenue from the Maryland Department of Natural Resources in FY16 than it did in FY15. This was because the majority of the costs associated with the construction of the new hiker/biker trail connecting the King's Grant subdivision to Tilghman Lake Park were incurred in FY16 and there were no similar State funded projects of this magnitude in FY15.

Property Taxes are the Town's primary source of governmental activity revenue. They account for just over 55 percent of the Town's governmental activity revenue and a little more than 32 percent of the Town's total revenues. The amount of property tax revenue the Town received in FY16 increased by \$81,576/1.99% compared to FY15. FY16 was the first year of three where the real property taxes will be calculated based on the property valuations established by assessments done in the Fall of 2013. Property values have risen from the lows that they fell to during the 2008 recession but the pace of appreciation has been slow. While the 2013 assessed values were up relative to the 2010 assessments, the appreciation was minimal. The growth in property tax revenues is in line with the appreciation that has taken place coupled with growth in the tax base that has resulted from new construction. The expectation is that these revenues will continue to grow at around 2% per year over the next two years, until the next reassessment is done (Fall of 2016 for FY19, 20 & 21). This is a low rate of growth relative to what it has been in the past but is more reasonable and sustainable than higher rates and, even though the annual percentage growth rate is low, the actual amount of revenue generated each year at this rate is significant.

The Transfers amount is the net of the transfers into the General Fund from the business-type activity funds and vice versa. Transfers are generally made from the business-type activity funds to the General Fund to cover regular recurring costs that are recorded in the General Fund but which are related to the operation of the business-type activity funds. These include costs associated with utility billing and collections, fleet maintenance and other general administrative costs. These are calculated annually based on budgeted costs and increase as the underlying costs increase from year to year. The transfers out of the General Fund to the business-type activity funds, are generally for specific purposes, such as to fund the Heritage Green Special Tax District's portion of the Willow Lane Pump Station debt and mosquito spraying. In certain instances, transfers may be made related to specific one-time events or projects. This occurred in FY16 and was responsible for the majority of the increase in this revenue category. There was a one-time transfer from the business-type activity funds to the General Fund in FY16 of \$63,000. It was to cover a portion of the costs of a public works facility assessment (\$30,000) and a portion of the costs of the acquisition and implementation of a facilities maintenance management system (\$33,000).

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2016

The Town established a new tax in FY16 - the hotel/motel tax. This is a 2% tax assessed on hotel room rentals in the Town. It was implemented to help defray the costs associated with the high number of calls the police department has been responding to at some of the hotels/motels in the Town. It generated \$70,045 in revenue in FY16.

In FY16, the Town completed the construction of hiker/biker trails that connects Tilghman Lake Park to the Kings Grant subdivision and Radio Station Road. This project was primarily funded by a Program Open Space/Community Parks and Playgrounds grant from the State Department of Natural Resources. There were no similar projects or funding sources in FY15 and that is why the revenue being reported in the Capital Grants and Contributions category increased by \$41,244 in FY16.

The increases in the remaining four revenue categories (Franchise fees, Miscellaneous, Charges for services and Interest earnings) totaled \$57,227 and accounted for approximately 10% of the FY16 increase.

Governmental activity expenditures increased by approximately \$11,824 or 0.2% from FY15 to FY16.

General government and public safety expenditures increased compared to FY15, while public works, parks/recreation/community promotion and interest on long-term debt expenditures decreased.

The increase in general government expenditures was \$77,682 or 4.7%. This was primarily the result of increases in planning, legal services, information technology, administration expenses and changes in the Town's compensated leave liabilities. These were partially offset by decreases in the Town's pension and human resources expenditures.

Planning department expenses were up by \$53,191 or 21 percent. This was attributable to higher salary and fringe benefit costs resulting from the department being fully staffed with three employees for the entire year in FY16 vs. only partially staffed, with the equivalent of two employees, in FY15. These costs were up \$46,689/30% and \$19,049/44%, respectively. These increases were offset by a significant drop in the amount spent on contracted services in FY16 (\$11,403/39%) and smaller reductions in the amounts spent on supplies, training, and capital goods.

The amount spent for legal services was \$51,512 or 245 percent higher in FY16 (\$75,524) than it was in FY15 (\$21,012). This was the result of the Town being involved in two lawsuits in FY16 and making substantial revisions to the Town's sign ordinance that required significant involvement of the Town's attorney.

The Town also spent more (\$27,591/31%) on information technology in FY16 (\$115,211) than it did in FY15 (\$87,620). This was related largely to the acquisition of a new Tyler Technologies/Energov maintenance management system and building projects system, for public works and planning, respectively. The Town had to buy a new server to run these and the other Tyler systems it already had and there were significant one-time costs associated with the acquisition and configuration of the new server and programs.

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2016

Expenses were \$17,993 or 3.5 percent higher in Finance in FY16 (\$520,471) than they were in FY15 (\$502,478). This was the result of an increase in salary expenditures of almost \$14,060 (4.25%) and an increase in other expenses of \$3,876. More than half of the salary increase (\$8,435) was attributable to an increase in the departments compensated absence liability while the rest of the salary increase was the result of annual COLA and merit increases. The increase in other charges was actually the result of the fact that, in FY15, the Town received a one-time \$4,992 refund of late fees and penalties, which were assessed in error by the State, and these were credited to other charges, causing them to essentially be understated by that amount in FY15 and making it appear there was a significant increase in FY16.

There were decreases in expenditures in pension expense (\$67,920) and human resources (\$15,499/35%) that partially offset the increases noted previously. The pension expense number is calculated annually and is the Town's proportionate share of the net of the Maryland State Retirement and Pension System's the system's deferred inflows and deferred outflows for the year. It varies depending on how actual investment earnings compared to projected earnings and changes in plan assumptions. The Town has no control over this. The decrease in human resources expenditures was the result of the Town not having professional search firm costs in FY16 like the one it had in FY15, associated with filling the planning director position.

Public safety costs increased from \$2,175,485 in FY15 to \$2,240,189 in FY16, or \$64,704/2.97%. The majority of the increase (\$30,846/53.76%) was attributable to the police department, where an increase of \$83,958/7.1% in salaries expenditures was partially offset by decreases in expenditures for contracted services (\$33,156/21.7%) and capital outlays (\$15,726/9.0%). There was an increase of \$22,196/11.43% in inspection services expenditures that accounted for most of the rest of the increase in public safety costs. These were almost entirely attributable to increased costs for contracted construction inspection services that were generated by increased development activity in the Town in FY16. The remainder of the public safety cost increase was associated with the upkeep, operation, and testing of the Town's emergency warning siren system.

Expenditures in public works, parks/recreation/culture, and interest on long-term debt decreased by \$59,249/3.49%, \$55,512/13.46% and \$8,470/14.52%, respectively, in FY16, relative to FY15.

The decrease in public works expenditures was the result of decreases in facilities maintenance (\$33,149/9.1%) and fleet maintenance expenditures (\$68,554/45%) which were partially off-set by increases in expenditures in public works administration (\$33,404/5.6%) and streets (\$9,050/1.53%). In facilities operations, salary, fringe benefit, and supplies expenditures all decreased while expenditures for contracted services, other, and capital outlays increased. There were decreases in all the expenditure categories in fleet maintenance except other expenditures, where there was a very small increase. In public works administration, expenditures for salaries and contracted services increased but were partially offset by decreases in the remaining expenditure categories. The increase in streets expenditures was attributable to increased salary and capital outlay expenditures which were partially offset by decreases in contracted services expenditures.

The FY16 decrease in parks/recreation/culture expenditures was almost entirely attributable to the fact that the Town spent significantly more in capital projects in FY16 than it did in FY15. Since these outlays are reclassified from expenditures to assets, for the purposes of presentation on the government-wide financial statements, this results in the reported expenditures going down accordingly and why there is a seeming reduction in expenditures even when more was spent for this purpose.

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2016

Parks/recreation/community development costs also decreased in FY16. The decrease was primarily attributable to lower salary and benefit costs (\$57,044) in the parks department and increased costs (\$7,630) for contracted services associated with community events.

Business-type activities. The change in net position attributable to business-type activities was a reduction of \$74,471 or -5 percent of the total change in the Town's net position in FY16. The \$288,158 decrease attributable to the Water and Sewer Fund was offset by increases of \$75,801 in the Sanitation Fund and \$137,886 in the Non-major Proprietary Fund ("Storm Water Management Fund").

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Town	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 370,087	\$ 356,090	\$ 5,830,628	\$ 5,776,049	\$ 6,200,715	\$ 6,132,139
Operating grants and contributions	473,730	380,735	37,500	-	511,230	380,735
Capital grants and contributions	41,244	-	-	-	41,244	-
General revenues:						
Taxes						
Property	4,178,732	4,097,156	-	-	4,178,732	4,097,156
Income	1,548,538	1,382,058	-	-	1,548,538	1,382,058
Hotel/motel	70,045	-	-	-	70,045	-
Franchise fees	199,495	178,987	-	-	199,495	178,987
Investment earnings	20,900	18,478	6,580	5,001	27,480	23,479
Miscellaneous	119,585	99,285	-	-	119,585	99,285
Transfers	544,585	463,635	(544,585)	(463,635)	-	-
Total revenues	7,566,941	6,976,424	5,330,123	5,317,415	12,897,064	12,293,839
Expenses:						
General government	1,730,667	1,652,985	-	-	1,730,667	1,652,985
Public safety	2,253,556	2,196,183	-	-	2,253,556	2,196,183
Public works	1,638,838	1,698,087	-	-	1,638,838	1,698,087
Recreation	356,838	412,350	-	-	356,838	412,350
Water and sewer service	-	-	4,308,356	4,394,205	4,308,356	4,394,205
Sanitation and waste removal	-	-	882,746	878,688	882,746	878,688
Storm water management	-	-	213,492	183,771	213,492	183,771
Interest on long-term debt	49,848	58,318	-	-	49,848	58,318
Total expenses	6,029,747	6,017,923	5,404,594	5,456,664	11,434,341	11,474,587
Change in net position	1,537,194	958,501	(74,471)	(139,249)	1,462,723	\$ 819,252
Net position - beginning of year, as previously reported	19,090,466	19,891,881	26,960,347	27,381,784	46,050,813	47,273,665
GASB 68 change in accounting principle	-	(1,759,916)	-	(282,188)	-	(2,042,104)
Net position - beginning of year, as restated	19,090,466	18,131,965	26,960,347	27,099,596	46,050,813	45,231,561
Net position - end of year	\$ 20,627,660	\$ 19,090,466	\$ 26,885,876	\$ 26,960,347	\$ 47,513,536	\$ 46,050,813

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2016

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 value of the Town's assessable tax base, which is the basis for the majority of the Town's revenues, is still growing at a very low annual rate and will continue to limit income growth for at least another two years. Development activity has picked up and as long as it continues that will help increase the taxable basis a little each year. Ensuring the Town remains financially strong in this environment will require vigilance and careful management of the Town's resources.

Construction activity overall in the Town remained strong in FY16. The number of permits issued for new residential construction decreased 23% from seventy-five in FY15 to fifty-eight in FY16 and the total estimated value of the residential projects permitted decreased by 37% from \$15,725,000 in FY15 to \$9,919,000 in FY16. There were five permits issued for new commercial buildings having an estimated value of \$7,262,742, which generated \$43,120 in revenue in FY16 versus none in FY15. There were thirty-two commercial fit-out projects permitted in FY16 or nine more than in FY15, but the average value of the work per permit increased 234%, from \$66,203 in FY15 to \$220,834 in FY16.

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 likely have challenges in the coming years due to aging infrastructure. The Town retained the tiered water and sewer rate structure for FY16, which was initiated in FY08. 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 FY16 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 there is no new development.

Budget Highlights

There were two budget amendment ordinances considered and adopted by the Mayor and Council for FY16.

Ordinance 16-06 was adopted in June of 2016. It provided for the appropriation of: \$92,904 in grant funding the Town received in FY16, which wasn't appropriated in the original Town budget; \$230,312 of the Town's vehicle reserve fund for the acquisition of two (2) new trash trucks; \$841,563 of the General Fund's unassigned fund balance and \$621,770 of the Water and Sewer Fund's unassigned fund balance to pay off a DHCD/CDA bond; and realignment of \$21,096 in appropriations to align them with expenditures.

Ordinance 16-10 was adopted in November of 2016. It provided for realignment of \$20,645 in appropriations to align them with expenditures and the appropriation of: \$3,345 in grant funding the Town received in FY16, which wasn't appropriated in the original Town budget.

After Ordinance 16-10 was adopted in November 2016, it was discovered that the realignment appropriation had been done incorrectly, as the amounts shown as debits should have been credits and vice-versa. In December 2016, Ordinance 16-10 was amended to correct this error.

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2016

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, 2015, was \$42,100,360 (net of accumulated depreciation) and decreased by \$1,233,921 to \$40,886,439 as of June 30, 2016. 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 5 to the basic financial statements.

The Town's net value of the governmental activities capital assets increased \$61,702 in FY16. The Town made \$644,517 of capital investments in governmental activities in FY16. These included rebuilding a portion of Oak Avenue, including related curbs, gutters, and sidewalks (\$265,445); acquiring new maintenance management and building project management software, including a new server to run them on (\$114,486); acquiring 3 new vehicles [two police vehicles (\$75,308) and a pro-rata share of a used dump truck (\$27,400)]; construction of a bathroom addition to the Wills Park Community Center building (\$54,521); construction of hiker/biker trails connecting Tilghman Lake Park to the King's Grant subdivision and Radio Station Road (\$53,811); assorted technology upgrades for the police department (\$39,537); and expenditures on a couple of smaller acquisitions/projects. These investments were largely offset by the annual depreciation expenditures.

The net value of the assets held in the Town's business activity funds decreased by \$1,295,623 in FY16. This is the net of new investments and the annual depreciation expenses. The new capital investment expense in FY16 was only \$364,597 while the annual depreciation expense was \$1,643,666. The new investments primarily consisted of: the purchase of three (3) new vehicles [two (2) trash trucks (\$264,312) and a pro-rata share of a used dump truck (\$41,100)]; construction of the storm drain improvements associated with the Oak Ave project (\$33,061); engineering work on the Town Hall drainage project (\$13,513); and small investments in a couple of other projects.

Long-term debt. At June 30, 2016, the Town had total outstanding debt of \$8,176,504, exclusive of net pension liability. Total outstanding debt for the governmental activities is \$598,553. Total outstanding debt for the business-type activities is \$7,577,951. In FY16, the Town paid off the entire outstanding balance (\$1,438,100) of its one remaining Maryland Department of Housing and Community Development/Community Development Association loan that was originally scheduled to be paid-off over the next ten years. This was done because it was anticipated that the savings on the loan interest costs over the remaining term of the loan would exceed the projected earnings that the Town would realize if it kept the funds and invested them in accordance with the Town's investment policy. The total pay-off including interest and fees was \$1,463,333, of which \$841,563 was paid out of governmental activities funds and \$621,770 was paid out of business-type activities funds. More detailed information about long-term debt can be found in Note 6 to the basic financial statements.

Factors Bearing on Town's Future

Southern Maryland continues to be a very desirable place to live and work and development activity in the Town remained relatively strong in FY16. Still, given the current economic environment and development opportunities in St. Charles, just north of La Plata, attracting new development is challenging. Still no significant work is occurring on two of the four large residential developments that are planned for the Town. The Town has been working with the owners of one of these properties to try and secure funding for the sewer and water infrastructure improvements that are need for it to move forward. Work on the other two projects is still steady. On the commercial side of things, FY16 saw five new commercial permits being issued. There is not an expectation that new commercial development

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2016

continues at this pace in the future. There continues to be a number of professional and retail vacancies. There are also still a couple of ambitious mixed use projects in the pipeline, but the interest in these appears to have waned somewhat since last year. These are longer term projects that are in the very early stages of development so they are particularly sensitive to vagaries of the market and dependent on the demand for new commercial space to ultimately make them feasible. At present, the limited new commercial investment that is taking place is primarily retail and service oriented businesses which are just moving into available spaces in already developed properties.

While the rate of growth has slowed from the pace of the early 2000's, 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 Waste Water Treatment Plant performance continues to exceed the State mandated standards. The Town is also continuing to work with Charles County, the Town of Indian Head and Maryland Department of the Environment 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 reasonably strong. Unemployment rates are comparable to Maryland as a whole and below the nation as a whole. 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, 2016**

	Governmental activities	Business-type activities	Total primary government
Assets			
Cash and cash equivalents	\$ 5,191,435	\$ 2,575,484	\$ 7,766,919
Investments, including accrued interest Receivables (net of allowance for uncollectibles)	5,443,279	2,701,082	8,144,361
Property taxes	45,175	-	45,175
Water, sewer, sanitation and storm water services	-	1,381,040	1,381,040
Other receivables	44,298	-	44,298
Due from other governments	259,841	-	259,841
Prepaid expenses	118,154	-	118,154
Capital assets			
Nondepreciable assets	3,625,251	528,695	4,153,946
Depreciable assets, net	8,561,832	28,150,661	36,712,493
 Total assets	 \$ 23,289,265	 \$ 35,336,962	 \$ 58,626,227
 Deferred outflows of resources			
Deferred outflows - pension related	\$ 556,413	\$ 110,459	\$ 666,872
 Liabilities			
Current liabilities			
Accounts payable and other current liabilities	284,319	434,055	718,374
Accrued expenses	-	46,644	46,644
Deposits	69,042	-	69,042
Other liabilities	11,781	-	11,781
Noncurrent liabilities			
Due within one year	145,494	733,293	878,787
Due in more than one year	2,513,646	7,316,807	9,830,453
 Total liabilities	 3,024,282	 8,530,799	 11,555,081
 Deferred inflows of resources			
Deferred inflows - pension related	193,736	30,746	224,482
 Net position			
Invested in capital assets, net of related debt	12,173,083	21,214,509	33,387,592
Restricted for major facility fee	-	1,553,221	1,553,221
Unrestricted	8,454,577	4,118,146	12,572,723
 Total net position	 \$ 20,627,660	 \$ 26,885,876	 \$ 47,513,536

See Notes to Financial Statements.

Town of La Plata, Maryland

**Statement of Activities
Year Ended June 30, 2016**

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	\$ 1,730,667	\$ 367,402	\$ -	\$ -	\$ (1,363,265)	\$ -	\$ (1,363,265)
Public safety	2,253,556	-	99,716	-	(2,153,840)	-	(2,153,840)
Public works	1,642,183	-	374,014	-	(1,268,169)	-	(1,268,169)
Parks, recreation and culture	353,493	2,685	-	41,244	(309,564)	-	(309,564)
Interest long-term debt	49,848	-	-	-	(49,848)	-	(49,848)
Total governmental activities	6,029,747	370,087	473,730	41,244	(5,144,686)	-	(5,144,686)
Business-type activities							
Water and sewer services	4,308,356	4,318,620	37,500	-	-	47,764	47,764
Sanitation and waste removal	882,746	1,122,585	-	-	-	239,839	239,839
Storm water management	213,492	389,423	-	-	-	175,931	175,931
Total business-type activities	5,404,594	5,830,628	37,500	-	-	463,534	463,534
Total primary government	\$ 11,434,341	\$ 6,200,715	\$ 511,230	\$ 41,244	(5,144,686)	463,534	(4,681,152)
General revenues							
Taxes							
Property					4,178,732	-	4,178,732
Income					1,548,538	-	1,548,538
Hotel/motel					70,045	-	70,045
Franchise fee					199,495	-	199,495
Investment earnings					20,900	6,580	27,480
Miscellaneous					119,585	-	119,585
Transfers					544,585	(544,585)	-
Total general revenues and transfers					6,681,880	(538,005)	6,143,875
Change in net position					1,537,194	(74,471)	1,462,723
Net position - beginning of year					19,090,466	26,960,347	46,050,813
Net position - end of year					\$ 20,627,660	\$ 26,885,876	\$ 47,513,536

See Notes to Financial Statements.

Town of La Plata, Maryland

**Balance Sheet - Governmental Funds
June 30, 2016**

	General fund	Nonmajor governmental funds	Total governmental funds
<u>Assets</u>			
Cash and cash equivalents	\$ 5,149,300	\$ 42,135	\$ 5,191,435
Investments, including accrued interest	5,400,204	43,075	5,443,279
Property taxes receivable	45,175	-	45,175
Due from other governments	255,386	4,455	259,841
Other receivables	44,298	-	44,298
Prepaid expenses	115,989	-	115,989
	<u>\$ 11,010,352</u>	<u>\$ 89,665</u>	<u>\$ 11,100,017</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 215,154	\$ 69,165	\$ 284,319
Deposits	69,042	-	69,042
Other liabilities	6,781	5,000	11,781
	<u>290,977</u>	<u>74,165</u>	<u>365,142</u>
Fund balances			
Nonspendable			
Prepaid expenses	115,989	-	115,989
Assigned			
Highway user revenue reserve	47,147	-	47,147
Transportation improvements	314,022	-	314,022
Vehicle replacement	856,270	-	856,270
Forest conservation	101,426	-	101,426
Contingency	1,600,000	-	1,600,000
Equipment replacement	37,175	-	37,175
Storm reserve	113,493	-	113,493
Building replacement reserve	1,440,833	-	1,440,833
Public education	-	15,500	15,500
Unassigned	6,093,020	-	6,093,020
	<u>10,719,375</u>	<u>15,500</u>	<u>10,734,875</u>
Total fund balance	<u>10,719,375</u>	<u>15,500</u>	<u>10,734,875</u>
Total liabilities and fund balance	<u>\$ 11,010,352</u>	<u>\$ 89,665</u>	<u>\$ 11,100,017</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, 2016

Total fund balances - governmental funds \$ 10,734,875

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	\$ 17,966,424	
Accumulated depreciation	<u>(5,779,341)</u>	
		12,187,083

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	(285,426)	
Prepaid interest	2,165	
Notes payable	(14,000)	
Accumulated unused compensated absences	(299,127)	
Net pension liability	(2,060,587)	
Deferred outflows and inflows of resources	<u>362,677</u>	
		<u>(2,294,298)</u>

Total net position - governmental activities \$ 20,627,660

See Notes to Financial Statements.

Town of La Plata, Maryland

**Statement of Revenue, Expenditures and Changes in
Fund Balance - Governmental Funds
Year Ended June 30, 2016**

	General fund	Nonmajor governmental funds	Total governmental funds
Revenue			
Taxes	\$ 5,797,315	\$ -	\$ 5,797,315
Licenses and permits	529,798	-	529,798
Intergovernmental	457,018	57,956	514,974
Charges for services	39,784	-	39,784
Fines and forfeitures	14,699	-	14,699
Miscellaneous	104,886	-	104,886
	<u>6,943,500</u>	<u>57,956</u>	<u>7,001,456</u>
Total revenue			
Expenditures			
Current			
General government	1,726,454	-	1,726,454
Public safety	2,181,084	13,367	2,194,451
Public works	1,708,463	3,345	1,711,808
Parks, recreation and culture	374,568	41,244	415,812
Debt service			
Principal reduction	1,046,483	-	1,046,483
Interest	58,644	-	58,644
	<u>7,095,696</u>	<u>57,956</u>	<u>7,153,652</u>
Total expenditures			
Excess of expenditures over revenue	<u>(152,196)</u>	<u>-</u>	<u>(152,196)</u>
Other financing sources			
Investment earnings	20,900	-	20,900
Transfers	544,585	-	544,585
	<u>565,485</u>	<u>-</u>	<u>565,485</u>
Total other financing sources			
Excess of revenue and other financing sources over expenditures and other financing sources	413,289	-	413,289
Fund balances at beginning of year	<u>10,306,086</u>	<u>15,500</u>	<u>10,321,586</u>
Fund balances at end of year	<u>\$ 10,719,375</u>	<u>\$ 15,500</u>	<u>\$ 10,734,875</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, 2016**

Excess of revenue and other financing sources over expenditures and other financing sources - governmental funds	\$	413,289
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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	\$	644,517	
Depreciation		(574,796)	
Loss from disposal of assets		<u>(8,019)</u>	
			61,702

Repayment of loan principal is an expenditure in the general fund, but the repayment reduces noncurrent liabilities in the statement of net position.		1,046,483
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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 decreased.		8,796
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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.		<u>6,924</u>
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Change in net position of governmental activities	\$	<u><u>1,537,194</u></u>
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See Notes to Financial Statements.

Town of La Plata, Maryland

**Statement of Revenue, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2016**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
Revenues				
Taxes	\$ 5,020,005	\$ 5,020,005	\$ 5,797,315	\$ 777,310
Licenses and permits	296,000	296,000	529,798	233,798
Intergovernmental	379,000	379,000	457,018	78,018
Service charges	33,050	33,050	39,784	6,734
Fines and forfeitures	5,000	5,000	14,699	9,699
Miscellaneous	111,000	111,000	104,886	(6,114)
Total revenues	<u>5,844,055</u>	<u>5,844,055</u>	<u>6,943,500</u>	<u>1,099,445</u>
Expenditures				
Current				
General government	1,723,725	1,737,680	1,726,454	11,226
Public safety	2,309,365	2,299,860	2,181,084	118,776
Public works	2,110,290	2,106,606	1,708,463	398,143
Parks, recreation and culture	437,435	436,669	374,568	62,101
Debt service	272,930	1,114,493	1,105,127	9,366
Total expenditures	<u>6,853,745</u>	<u>7,695,308</u>	<u>7,095,696</u>	<u>599,612</u>
Other financing sources				
Investment earnings	7,000	7,000	20,900	(13,900)
Transfers in	171,240	1,243,115	544,585	(698,530)
Total other financing sources	<u>178,240</u>	<u>1,250,115</u>	<u>565,485</u>	<u>(712,430)</u>
Net change in fund balance	<u>\$ (831,450)</u>	<u>\$ (601,138)</u>	413,289	<u>\$ (212,597)</u>
Fund balance at beginning of year			<u>10,306,086</u>	
Fund balance at end of year			<u>\$ 10,719,375</u>	

See Notes to Financial Statements.

Town of La Plata, Maryland

**Statement of Net Position - Proprietary Funds
June 30, 2016**

	Business type activities - Enterprise funds			Total business-type activities
	Water and sewer fund	Sanitation fund	Nonmajor proprietary fund	
Assets				
Current assets				
Cash and cash equivalents	\$ 1,908,871	\$ 374,908	\$ 291,705	\$ 2,575,484
Investments	2,001,960	393,192	305,930	2,701,082
Service charges receivable	990,159	293,377	97,504	1,381,040
	<u>4,900,990</u>	<u>1,061,477</u>	<u>695,139</u>	<u>6,657,606</u>
Capital assets				
Land	399,295	-	6,200	405,495
Buildings	13,896,805	-	-	13,896,805
Improvements	189,937	-	-	189,937
Infrastructure	27,411,821	-	1,369,496	28,781,317
Other equipment	1,590,178	91,628	2,138	1,683,944
Vehicles and mobile equipment	464,730	430,346	21,530	916,606
Construction-in-progress	105,211	-	17,989	123,200
	<u>44,057,977</u>	<u>521,974</u>	<u>1,417,353</u>	<u>45,997,304</u>
Less accumulated depreciation	<u>(16,515,013)</u>	<u>(203,391)</u>	<u>(599,544)</u>	<u>(17,317,948)</u>
	<u>27,542,964</u>	<u>318,583</u>	<u>817,809</u>	<u>28,679,356</u>
Total assets	<u>\$ 32,443,954</u>	<u>\$ 1,380,060</u>	<u>\$ 1,512,948</u>	<u>\$ 35,336,962</u>
Deferred outflows of resources				
Deferred outflows - pension related	<u>\$ 64,504</u>	<u>\$ 29,859</u>	<u>\$ 16,096</u>	<u>\$ 110,459</u>
Liabilities				
Current liabilities				
Accounts payable	375,320	44,072	14,663	434,055
Accrued liabilities	44,952	-	1,692	46,644
Revenue bonds payable	699,827	-	-	699,827
General obligation bonds payable	32,531	-	-	32,531
Compensated absences	235	700	-	935
Noncurrent liabilities				
Revenue bonds payable	6,765,019	-	-	6,765,019
General obligation bonds payable	48,557	-	-	48,557
Compensated absences	23,404	7,678	-	31,082
Net pension liability	293,736	116,137	62,276	472,149
Total liabilities	<u>8,283,581</u>	<u>168,587</u>	<u>78,631</u>	<u>8,530,799</u>
Deferred inflows of resources				
Deferred inflows - pension related	<u>15,751</u>	<u>9,717</u>	<u>5,278</u>	<u>30,746</u>
Net position				
Invested in capital assets, net of related debt	20,078,117	318,583	817,809	21,214,509
Restricted				
Major facility fee	1,553,221	-	-	1,553,221
Unrestricted	<u>2,577,788</u>	<u>913,032</u>	<u>627,326</u>	<u>4,118,146</u>
Total net position	<u>\$ 24,209,126</u>	<u>\$ 1,231,615</u>	<u>\$ 1,445,135</u>	<u>\$ 26,885,876</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, 2016**

	Business-type Activities - Enterprise funds			Total business-type activities
	Water and sewer fund	Sanitation fund	Nonmajor proprietary fund	
Operating revenue				
Current use charges	\$ 4,231,021	\$ 1,085,613	\$ 389,423	\$ 5,706,057
Fines and forfeitures	50,904	19,525	-	70,429
Intergovernmental	37,500	-	-	37,500
Miscellaneous				
Water meters	24,102	-	-	24,102
Bulk water	833	-	-	833
Other	11,760	17,447	-	29,207
	<u>4,356,120</u>	<u>1,122,585</u>	<u>389,423</u>	<u>5,868,128</u>
Total operating revenue				
Operating expenses				
Salaries and payroll expense	635,451	235,541	93,194	964,186
Electricity	410,743	-	-	410,743
Repairs and maintenance of systems and equipment	6,392	24,552	3,075	34,019
Other operating expenses	1,576,956	581,327	51,451	2,209,734
Depreciation	1,536,568	41,326	65,772	1,643,666
	<u>4,166,110</u>	<u>882,746</u>	<u>213,492</u>	<u>5,262,348</u>
Total operating expenses				
Operating income	<u>190,010</u>	<u>239,839</u>	<u>175,931</u>	<u>605,780</u>
Nonoperating revenue (expenses)				
Interest income	5,443	1,137	-	6,580
Interest charges	(142,246)	-	-	(142,246)
	<u>(136,803)</u>	<u>1,137</u>	<u>-</u>	<u>(135,666)</u>
Total nonoperating (expenses) revenue				
Income before transfers	53,207	240,976	175,931	470,114
Transfers out	(341,365)	(165,175)	(38,045)	(544,585)
Change in net position	(288,158)	75,801	137,886	(74,471)
Net position - beginning of year	24,497,284	1,155,814	1,307,249	26,960,347
Net position - end of year	<u>\$ 24,209,126</u>	<u>\$ 1,231,615</u>	<u>\$ 1,445,135</u>	<u>\$ 26,885,876</u>

See Notes to Financial Statements.

Town of La Plata, Maryland

**Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2016**

	Business-type activities - Enterprise funds			Total business-type activities
	Water and sewer fund	Sanitation fund	Nonmajor proprietary fund	
Cash flows from operating activities				
Receipts from customers	\$ 4,363,241	\$ 1,134,903	\$ 388,620	\$ 5,886,764
Payments to employees	(529,868)	(225,362)	(90,472)	(845,702)
Payments to suppliers for goods and services	(1,898,234)	(828,162)	(50,948)	(2,777,344)
Net cash provided by operating activities	<u>1,935,139</u>	<u>81,379</u>	<u>247,200</u>	<u>2,263,718</u>
Cash flows from noncapital financing activities				
Transfers out	(341,365)	(165,175)	(38,045)	(544,585)
Net cash used in noncapital financing activities	<u>(341,365)</u>	<u>(165,175)</u>	<u>(38,045)</u>	<u>(544,585)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(53,709)	(46,109)	(46,575)	(146,393)
Principal paid on bonds	(1,434,552)	-	-	(1,434,552)
Grant proceeds received	723,874	-	-	723,874
Interest paid on bonds	(148,962)	-	-	(148,962)
Net cash used in capital and related financing activities	<u>(913,349)</u>	<u>(46,109)</u>	<u>(46,575)</u>	<u>(1,006,033)</u>
Cash flows from investing activities				
Deposits made for investments	(192,630)	95,027	(70,025)	(167,628)
Interest earned	5,443	1,137	1,692	8,272
Net cash (used in) provided by investing activities	<u>(187,187)</u>	<u>96,164</u>	<u>(68,333)</u>	<u>(159,356)</u>
Net increase (decrease) in cash and cash equivalents	493,238	(33,741)	94,247	553,744
Cash and cash equivalents, beginning of year	<u>1,415,633</u>	<u>408,649</u>	<u>197,458</u>	<u>2,021,740</u>
Cash and cash equivalents, end of year	<u>\$ 1,908,871</u>	<u>\$ 374,908</u>	<u>\$ 291,705</u>	<u>\$ 2,575,484</u>

Town of La Plata, Maryland

**Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2016**

	Business-type activities - Enterprise funds			Total business-type activities
	Water and sewer fund	Sanitation fund	Nonmajor proprietary fund	
Operating income	\$ 190,010	\$ 239,839	\$ 175,931	\$ 605,780
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,536,568	41,326	65,772	1,643,666
Disposal of fixed assets	-	(201,650)	-	(201,650)
Changes in assets and liabilities				
Accounts receivable	7,121	19,641	2,500	29,262
Accounts payable	195,004	(20,633)	3,578	177,949
Compensated absences	6,436	2,856	(581)	8,711
 Net cash provided by operating activities	 <u>\$ 1,935,139</u>	 <u>\$ 81,379</u>	 <u>\$ 247,200</u>	 <u>\$ 2,263,718</u>

See Notes to Financial Statements.

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2016

Note 1 - Summary of significant accounting policies

The Town of La Plata, Maryland, (the "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 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.

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2016

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.

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

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2016

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.

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.

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2016

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 consist of investments in the Maryland Local Government Investment Pool ("MLGIP") and certificates of deposit. Short-term investments are stated at fair value, except for MLGIP which is valued at amortized cost.

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, 2016, the allowance for uncollectible accounts totaled \$2,367.

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, 2016, 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

**Notes to Financial Statements
June 30, 2016**

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

	<u>Estimated useful lives</u>
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

Deferred outflows of resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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, 2016, 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.

Deferred inflows of resources

A deferred inflow of resources represents an acquisition net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2016

Net position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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 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 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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.
- **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.

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.

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2016

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 plan documents prescribe 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, 2016, the implementation of which may impact the financial statements of the Town.

During this fiscal year, management implemented the following GASB Statements:

- GASB Statement No. 72, "Fair Value Measurement and Application," was effective for the Town beginning with its year ended June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Town evaluated the impact of implementation of this statement, and this statement did not have a material impact on the financial position of the Town.
- GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," was effective for the Town beginning with its year ended June 30, 2016. This Statement supersedes Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 and should be applied retroactively. The Town evaluated the impact of implementation of this statement, and this statement did not have a material impact on the financial position of the Town.
- GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," was effective for the Town beginning with its year ended June 30, 2016. This Statement establishes criteria for an external investment pool to qualify for making the election to measure its investments at amortized cost for financial reporting purposes, as well as establishes criteria to address how the external investment pool transacts with participants; the requirements for portfolio maturity, quality, diversification, and liquidity; and the calculation and requirements of a shadow price. The provisions on portfolio quality, custodial credit risk, and shadow pricing will be effective for the City beginning with its fiscal year ending June 30, 2017.

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2016

Management has not determined what, if any, impact the following Statements may have on the financial statements of the Town:

- GASB Statement No. 77, "Tax Abatement Disclosures," will be effective for the Town beginning with its year ending June 30, 2017. This Statement requires additional disclosure of tax abatement agreements including a description of the agreement, the amount of taxes abated during the year and other commitments made by the government as part of the agreement. That Statement also requires disclosure of tax abatement agreements with an impact on the Town that have been entered into by other governments. The Town is still evaluating the impact of the 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. 82, "Pension Issues," will be effective for the Town beginning with its year ending June 30, 2017. This Statement amends certain provisions of GASBS No. 67, 68 and 73 as they relate to the disclosure of pension obligations. The Town is still evaluating the impact of the 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.

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 amortized cost. The MLGIP is rated "AAA" by Standard and Poor's (their highest rating). As of June 30, 2016, the Town's investment in MLGIP totaled \$1,573,434.

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, 2016, all of the Town's certificates of deposit had a maturity of one year or less. As of June 30, 2016, the Town's investment in certificates of deposit and money market accounts totaled \$6,570,927.

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, 2016, 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.

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2016**

The Town has adopted GASB Statement No. 72 - Fair Value Measurement and Application. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value:

- Level 1 - quoted market prices in active markets for identical assets;
- Level 2 - inputs other than quoted market prices that are significant observable inputs either directly or indirectly; and
- Level 3 - significant unobservable inputs.

The following table presents the financial assets that the Town measures at fair value or amortized cost as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Investments carried at fair value:				
Money Market	\$ -	\$ 664	\$ -	\$ 664
Investments carried at amortized cost:				
MLGIP - Mutual Funds				1,573,434
Certificates of Deposit				6,570,263
Total investments at amortized cost				8,143,697
Total investments				\$ 8,144,361

Note 3 - Interfund transfers

Interfund transfers for the year ended June 30, 2016, 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 \$544,585.

Note 4 - Due from other governments

As of June 30, 2016, the balance of due from other governments is as follows:

Governmental activities		
State Highway Administration	\$	23,523
Income tax		146,846
Federal grant		67,527
Franchise fees		21,945
Total due from other governments	\$	259,841

Town of La Plata, Maryland
Notes to Financial Statements
June 30, 2016

Note 5 - Capital assets

A summary of changes in governmental activities capital assets for the year ended June 30, 2016 is as follows:

Asset class	Balance June 30, 2015	Additions and transfers	Disposals and transfers	Balance June 30, 2016
Capital assets not being depreciated				
Land	\$ 3,519,496	\$ -	\$ -	\$ 3,519,496
Construction in progress	8,378	97,377	-	105,755
Total capital assets not being depreciated	<u>3,527,874</u>	<u>97,377</u>	<u>-</u>	<u>3,625,251</u>
Capital assets being depreciated				
Buildings	7,555,958	-	-	7,555,958
Improvements other than buildings	856,954	60,112	-	917,066
Infrastructure	3,408,288	326,041	(8,019)	3,726,310
Other equipment	568,051	51,543	-	619,594
Vehicles and mobile equipment	1,412,801	109,444	-	1,522,245
Total capital assets being depreciated	<u>13,802,052</u>	<u>547,140</u>	<u>(8,019)</u>	<u>14,341,173</u>
Accumulated depreciation for:				
Buildings	(1,777,466)	(193,439)	-	(1,970,905)
Improvements other than buildings	(426,169)	(55,350)	-	(481,519)
Infrastructure	(1,487,170)	(189,707)	-	(1,676,877)
Other equipment	(435,338)	(36,654)	-	(471,992)
Vehicles and mobile equipment	(1,078,402)	(99,646)	-	(1,178,048)
Total accumulated depreciation	<u>(5,204,545)</u>	<u>(574,796)</u>	<u>-</u>	<u>(5,779,341)</u>
Total capital assets, being depreciated, net	<u>8,597,507</u>	<u>(27,656)</u>	<u>(8,019)</u>	<u>8,561,832</u>
Governmental capital assets, net	<u>\$ 12,125,381</u>	<u>\$ 69,721</u>	<u>\$ (8,019)</u>	<u>\$ 12,187,083</u>

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2016**

A summary of changes in business-type activities capital assets for the year ended June 30, 2016 is as follows:

<u>Asset class</u>	<u>Balance June 30, 2015</u>	<u>Additions and transfers</u>	<u>Disposals and transfers</u>	<u>Balance June 30, 2016</u>
Capital assets not being depreciated				
Land	\$ 405,495	\$ -	\$ -	\$ 405,495
Construction in progress	104,581	18,619	-	123,200
Total capital assets not being depreciated	<u>510,076</u>	<u>18,619</u>	<u>-</u>	<u>528,695</u>
Capital assets being depreciated				
Buildings	13,896,805	-	-	13,896,805
Improvements other than buildings	182,436	7,501	-	189,937
Infrastructure	28,748,254	33,063	-	28,781,317
Other equipment	1,709,393	-	(25,449)	1,683,944
Vehicles and mobile equipment	803,947	305,414	(192,755)	916,606
Total capital assets being depreciated	<u>45,340,835</u>	<u>345,978</u>	<u>(218,204)</u>	<u>45,468,609</u>
Accumulated depreciation for:				
Buildings	(6,367,749)	(347,751)	-	(6,715,500)
Improvements other than buildings	(22,813)	(9,903)	-	(32,716)
Infrastructure	(7,393,839)	(1,171,325)	-	(8,565,164)
Other equipment	(1,482,954)	(67,086)	19,936	(1,530,104)
Vehicles and mobile equipment	(608,577)	(47,601)	181,714	(474,464)
Total accumulated depreciation	<u>(15,875,932)</u>	<u>(1,643,666)</u>	<u>201,650</u>	<u>(17,317,948)</u>
Total capital assets, being depreciated, net	<u>29,464,903</u>	<u>(1,297,688)</u>	<u>(16,554)</u>	<u>28,150,661</u>
Business-type capital assets, net	<u>\$ 29,974,979</u>	<u>\$ (1,279,069)</u>	<u>\$ (16,554)</u>	<u>\$ 28,679,356</u>

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2016**

Depreciation expense was charged in the statement of activities for the year ended June 30, 2016 as follows:

Governmental activities		
General government	\$	109,528
Public safety		139,822
Public works		278,759
Parks, recreation and culture		<u>46,687</u>
	<u>\$</u>	<u>574,796</u>
Business-type activities		
Water and sewer fund	\$	1,536,568
Sanitation fund		41,326
Nonmajor proprietary fund		<u>65,772</u>
	<u>\$</u>	<u>1,643,666</u>

Note 6 - Long-term liabilities

Long-term liability activity as of and for the year ended June 30, 2016, is as follows:

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016	Due within one year
Governmental activities					
General obligation bonds	\$ 1,329,909	\$ -	\$ (1,044,483)	\$ 285,426	\$ 114,136
Notes payable	16,000	-	(2,000)	14,000	2,000
Compensated absences	241,088	58,039	-	299,127	29,358
Net pension liability	<u>1,812,118</u>	<u>248,469</u>	<u>-</u>	<u>2,060,587</u>	<u>-</u>
	<u>\$ 3,399,115</u>	<u>\$ 306,508</u>	<u>\$ (1,046,483)</u>	<u>\$ 2,659,140</u>	<u>\$ 145,494</u>
Business-type activities					
Revenue bonds	\$ 8,154,617	\$ -	\$ (689,771)	\$ 7,464,846	\$ 699,827
General obligation bonds	825,869	-	(744,781)	81,088	32,531
Compensated absences	23,306	8,711	-	32,017	935
Net pension liability	<u>290,559</u>	<u>181,590</u>	<u>-</u>	<u>472,149</u>	<u>-</u>
	<u>\$ 9,294,351</u>	<u>\$ 190,301</u>	<u>\$ (1,434,552)</u>	<u>\$ 8,050,100</u>	<u>\$ 733,293</u>

General obligation bonds payable relating to governmental activities at June 30, 2016 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.	<u>\$ 285,426</u>
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Notes payable relating to governmental activities at June 30, 2016 consists of the following:

Note payable with fire house, noninterest bearing, payable in annual installments of \$2,000 through June 2023.	<u>\$ 14,000</u>
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Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2016**

A schedule of maturities of the general obligation bonds payable and notes payable relating to governmental activities as of June 30, 2016 is as follows:

Governmental debt			
	Principal	Interest	Total
June 30, 2017	\$ 116,136	\$ 9,271	\$ 125,407
2018	116,136	5,150	121,286
2019	59,154	1,030	60,184
2020	2,000	-	2,000
2021	2,000	-	2,000
2022 - 2023	4,000	-	4,000
	\$ 299,426	\$ 15,451	\$ 314,877

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

Revenue bonds payable relating to business-type activities at June 30, 2016 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.	\$ 597,677
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.	2,765,980
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.	2,807,914
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.	877,515

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2016**

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.

415,760

\$ 7,464,846

General obligation bonds payable relating to business-type activities at June 30, 2016 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.

\$ 81,088

A schedule of maturities of the revenue bonds payable and general obligation bonds payable relating to business-type activities as of June 30, 2016 is as follows:

	Business-type debt		
	Principal	Interest	Total
June 30, 2017	\$ 732,358	\$ 87,197	\$ 819,555
2018	742,570	79,052	821,622
2019	736,435	70,802	807,237
2020	730,941	63,323	794,264
2021	741,635	56,029	797,664
2022 - 2026	2,324,836	181,753	2,506,589
2027 - 2033	1,537,159	72,776	1,609,935
	<u>\$ 7,545,934</u>	<u>\$ 610,932</u>	<u>\$ 8,156,866</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 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.

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2016**

Note 8 - Pension plan

Summary

The Town has previously adopted GASB No. 68 - Accounting and Financial Reporting for Pensions ("GASB 68"). The Town participates in the Maryland State Retirement and Pension System (the "System"), and qualifies as a Participating Governmental Unit ("PGU"). The State Retirement Agency (the "Agency") is the Plan administrator and fiduciary. GASB No. 68 requires that a PGU recognize its proportionate share of the System's net pension liability (i.e., unfunded pension liability) and pension expense. The Town's proportionate share is based on total System contributions and approximates 0.01219% as of the measurement date of June 30, 2015.

The Town has also previously adopted GASB No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," An Amendment of GASB No. 68. GASB No. 71 requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources. The Town's fiscal year 2016 contribution in December 2015 of \$239,542 is therefore recognized as a pension related deferred outflow of resources.

The Town's employees participate in the System and contributed 7 percent of their compensation as stipulated by the System. The Town contributed \$239,542 to the System for fiscal year 2016 which was actuarially determined based on statutory provisions. The Town has also recognized in pension expense its proportionate share of the System's deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets and its proportionate share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.

Basis of presentation and basis of accounting

Employers participating in the System's cost-sharing multiple-employer defined benefit plans are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules) provide employers with the required information for financial reporting.

The underlying financial information used to prepare the pension allocation schedules is based on the System's financial statements. The System's financial statements for all plans are prepared using the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America that apply to governmental accounting for fiduciary funds.

Actual employer contributions billed to participating government units for the year ended June 30, 2015, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. The contributions were adjusted by increasing contributions by approximately \$251 million to adjust for differences between actuarially determined contributions and actual contributions by the State of Maryland.

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2016**

The components of the calculation of the net pension liability of the defined benefit cost-sharing plans for participating employers and the State of Maryland as of June 30, 2015, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total Pension Liability	\$ 66,571,552,000
Plan Fiduciary Net Position	<u>45,789,840,000</u>
Net Pension Liability	<u><u>\$ 20,781,712,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Town Pension Liability	<u><u>68.78%</u></u>

Actuarial assumptions

- Actuarial - Entry Age Normal
- Amortization Method - Level Percentage of Payroll; Closed
- Asset Valuation Method - 5-year smoothed market; 20% collar
- Inflation - 2.95% general, 3.45% wage
- Salary Increases - 3.45% to 10.7%, including inflation
- Discount Rate - 7.55%
- Investment Rate of Return - 7.55%
- Retirement Age - Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
- Mortality - RP-2014 Combined Healthy Mortality Table projected to the year 2025
- Note: There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2015 valuation:
 - Investment return assumption changed from 7.65% to 7.55%
 - Inflation assumption changed from 2.90% to 2.95%

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2016**

adding expected inflation. Best estimates of geometric real rates of return were adopted by the Pension System's Board after considering input from the investment consultant(s) and actuary(ies). For each major asset class that is included in the Pension System's target asset allocation, these best estimates are summarized in the following table:

Asset class	Target allocations	Long-term expected real rate of return
Public Equity	35%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	1%	0.00%
Total	100%	

The above was the Pension System's Board of Trustees' adopted asset allocation policy and best estimate of geometrical real rates of return for each major asset class as of June 30, 2015.

Discount rate

A single discount rate of 7.55% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine the single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to the net pension liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the System's net pension liability and the Town's proportionate share of the System's net pension liability, calculated using a single discount rate 7.55%, a single discount rate that is 1 percentage point lower (i.e., 6.55%) and a single discount rate that is 1 percentage point higher (i.e., 8.55%):

	1% lower 6.55%	Current rate 7.55%	1% higher 8.55%
The System's Net Pension Liability	\$ 29,371,763,000	\$ 20,781,712,000	\$ 13,658,848,000
The Town's Proportionate Share of Net Pension Liability	3,579,625	2,532,736	1,664,645

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2016

Pension plan description

Organization

The State Retirement Agency (the "Agency") is the administrator of the System. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowance and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System's administration and operations is vested in a 15-member Board of Trustees. The System is made up of two cost-sharing employer pools: the "State Pool" and the "Municipal Pool." The "State Pool" consists of the State agencies, board of education, community colleges, and libraries. The Municipal Pool consists of the participating governmental units that elected to join the System. Neither pool shares in each other's actuarial liabilities, thus participating governmental units that elected to join the System (the Municipal Pool) share in the liabilities of the Municipal Pool only. The State of Maryland is the statutory guarantor for the payments of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits of the System. The Agency is legally authorized to use all assets accumulated for the payment of benefits to pay such obligations to any plan members or beneficiaries as defined by the terms of plan. Consequently, the System is accounted for as a single plan as defined in GASB Statement No. 67 Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25. Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies, and administrative budget. Accordingly, the System is included in the State's reporting entity and disclosed in its financial statements as a pension trust fund. The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System. The Town's employees participate in the Employees' Retirement and Pension System.

Covered members

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension System was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System. Currently, more than 150 governmental units participate in the Employees' Retirement System.

Summary of significant plan provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation ("AFC") and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2016

retiree's and/or designated beneficiary's attained age and similar actuarial factors. Beginning July 1, 2011, the member contribution rate was increased for members of the Employees' Pension System from 5% to 7%, and from 4% to 6% respectively, in fiscal year 2013. In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments ("COLA") that is based on the increase in the Consumer Price Index ("CPI") and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation. A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2015 are as follows:

Service retirement allowances

A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of credible service regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service. An individual who is a member of the Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service. For most individuals who retired from the Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Employees' Pension System. Exceptions to these benefit formulas apply to members of the Employees' Pension System who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level ("SSIL"), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Vested allowances

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 (other than a judge or a legislator) and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 (other than a judge or a legislator), and who terminates employment before

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2016

attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance. A member who terminates employment prior to attaining retirement age and before vesting receives a refund for all member contributions and interest.

Early service retirement

A member of the Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for an Employees' Retirement System member is 30%. An individual who is a member of the Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Employees' Pension System is 42%. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Employees' Pension System is 40%.

Disability and death benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Adjusted retirement allowances (as applicable)

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems ("TRS/ERS") the method by which the annual COLAs are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, or a COLA limited to 5% or a two part combination COLA depending upon the COLA election made by the member. With certain exceptions, effective July 1, 1998, for Teachers', Employees' and Law Enforcement Officers' Pension System retirees, the adjustment is capped at a maximum 3% compounded and is applied to all benefits which have been in payment for one year. The annual increases to pension allowances for Employees' Pension System retirees who were employed by a participating governmental unit that does not provide enhanced pension benefits are limited to 3% of the initial allowance. However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011, in all of the systems except the judges' and legislators' systems, the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2016**

value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, the Town reported a liability of \$2,532,736 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units actuarially determined. At June 30, 2015, the Town's proportion was approximately 0.01219 percent.

For the year ended June 30, 2016, the Town recognized pension expense of \$247,039. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows	Deferred inflows
Changes of assumptions	\$ 149,596	\$ -
Difference between actual and expected experience	-	51,868
Net difference between projected and actual earnings on pension plan investments	223,081	172,614
Change in proportionate share	54,653	-
Contributions subsequent to the measurement date	239,542	-
Total	\$ 666,872	\$ 224,482

The deferred outflow of resources of \$239,542 relating to contributions subsequent to the measurement date will be recognized as a reduction of the Town's net pension liability during the fiscal year ended June 30, 2017. The deferred outflows and inflows of resources due to changes in assumptions, differences between actual and expected experience, change in proportion, and differences between projected and actual investment earnings represent the Town's proportionate share of the unamortized portions of the System's original amounts. The deferred inflows and outflows related to noninvestment activity are being amortized over the remaining service life of 5.87 years. The 2014 deferred outflows not related to investment activity are being amortized over the remaining service life of 5 years. The net difference in investment earnings for both 2015 and 2014 are being amortized over a closed 5 year period. These unamortized amounts will be ratably recognized in pension expense over these services' lives and closed five-year period.

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2016**

The following table shows the amortization of these deferred outflows and inflows:

Fiscal year ending June 30	Amortization of 2015 balance			Amortization of 2014 balance		
	Deferred outflows - net difference in investment	Deferred outflows - change in assumptions	Deferred outflows - change in proportion	Deferred inflows - actual vs expected experience	Deferred outflows - change in assumptions	Deferred inflows - net difference in investment earnings
2017	\$ 55,770	\$ 26,034	\$ 11,223	\$ 10,651	\$ 7,604	\$ 57,538
2018	55,770	26,034	11,223	10,651	7,604	57,538
2019	55,770	26,034	11,223	10,651	7,604	57,538
2020	55,771	26,034	11,223	10,651	-	-
2021	-	22,648	9,761	9,264	-	-
	<u>\$ 223,081</u>	<u>\$ 126,784</u>	<u>\$ 54,653</u>	<u>\$ 51,868</u>	<u>\$ 22,812</u>	<u>\$ 172,614</u>

Net pension liability

The net pension liability was allocated amongst the funds based on the percentage of contributions made by each fund. The components of the Town's proportionate share of the Pension System's net pension liability as of the measurement date of June 30, 2015 were as follows:

	Governmental activities	Business-type activities			Total
		Water and sewer	Sanitation	Nonmajor	
Total Pension Liability	\$ 6,600,822	\$ 940,946	\$ 372,027	\$ 199,496	\$ 8,113,291
Plan Fiduciary Net Position	4,540,231	647,209	255,890	137,220	5,580,550
Net Pension Liability	<u>\$ 2,060,591</u>	<u>\$ 293,737</u>	<u>\$ 116,137</u>	<u>\$ 62,276</u>	<u>\$ 2,532,741</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.78%	68.78%	68.78%	68.78%	68.78%

The pension plan fiduciary

Plan Information as well as the Comprehensive Annual Financial Report of the Maryland State Retirement and Pension System for the years ended June 30, 2015 and 2014 are available from:

State Retirement and Pension System of Maryland
120 East Baltimore Street
Baltimore, Maryland 21202

www.sra.state.md.us

-General Interest

-Related Links

-Downloads

-Comprehensive Annual Financial Reports

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.

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2016**

Note 10 - 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 15, 2016 (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

**Schedules of Required Pension-Related Supplementary Information
June 30, 2016**

**Schedule of the Town's Proportionate
Share of the Net Pension Liability**

	FY 2016	FY 2015
Town's proportionate share (%) of collective net pension liability	0.012187%	0.011848%
Town's proportionate share (\$) of collective net pension liability	\$ 2,532,736	\$ 2,102,677
Town's covered-employee payroll (\$)	\$ 2,808,231	\$ 2,640,045
Town's proportionate share of collective net pension liability as a percentage of its covered employees	90.19%	79.65%
Pension plan's fiduciary net position as a percentage of the total pension liability	68.78%	71.87%

The above schedule is presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

See Independent Auditor's Report.

Town of La Plata, Maryland

**Schedules of Required Pension-Related Supplementary Information
June 30, 2016**

**Schedule of the Town's Pension Plan Contributions
Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 239,542	\$ 256,876	\$ 276,107	Not available						
Contributions in relation to the contractually required contribution	<u>239,542</u>	<u>256,876</u>	<u>276,107</u>	<u>Not available</u>						
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>Not available</u>						
Town's covered-employee payroll	\$ 2,808,231	\$ 2,640,045	\$ 2,956,224							
Contributions as a percentage of covered-employee payroll	8.5%	9.7%	9.3%							

The above schedule is presented to illustrate the requirement for specific information for 10 years; however until a full 10-year trend is compiled, information is only presented for those years for which information is available.

See Independent Auditor's Report.

Supplementary Information

Town of La Plata, Maryland

**Detail Schedule of Revenues - Budget and Actual - General Fund
Year Ended June 30, 2016**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
Taxes				
Local property taxes				
Real property	\$ 3,654,700	\$ 3,654,700	\$ 3,866,270	\$ 211,570
Personal property	165,000	165,000	208,758	43,758
Railroads and public utilities	70,000	70,000	71,992	1,992
Penalties and interest	-	-	39,716	39,716
Income tax	1,087,505	1,087,505	1,535,640	448,135
Hotel/motel tax	40,000	40,000	70,045	30,045
Other local taxes	2,800	2,800	4,894	2,094
Total taxes	5,020,005	5,020,005	5,797,315	777,310
Licenses and permits				
Traders	18,000	18,000	28,067	10,067
Construction permits	103,000	103,000	299,551	196,551
Franchise	170,000	170,000	199,495	29,495
Other	5,000	5,000	2,685	(2,315)
Total licenses and permits	296,000	296,000	529,798	233,798
Intergovernmental				
State Police Aid	75,000	75,000	82,377	7,377
Highway	250,000	250,000	306,487	56,487
Other	54,000	54,000	68,154	14,154
Total intergovernmental	379,000	379,000	457,018	78,018
Service charges				
Rental inspection fees	20,000	20,000	18,811	(1,189)
Annexation applications	-	-	670	670
Other	13,050	13,050	20,303	7,253
Total service charges	33,050	33,050	39,784	6,734
Miscellaneous				
Fines and forfeitures	5,000	5,000	14,699	9,699
Miscellaneous	10,000	10,000	13,623	3,623
Rents and concessions	86,000	86,000	90,304	4,304
Sale of surplus assets	8,000	8,000	959	(7,041)
Total miscellaneous	109,000	109,000	119,585	10,585
Total revenues	\$ 5,837,055	\$ 5,837,055	\$ 6,943,500	\$ 1,106,445

See Independent Auditor's Report.

Town of La Plata, Maryland

**Detail Schedule of Expenditures - Budget and Actual - General Fund
Year Ended June 30, 2016**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
General government				
Legislative	\$ 220,270	\$ 216,670	\$ 216,626	\$ 44
Administration				
Salaries	317,060	317,060	320,255	(3,195)
Operating expenses	40,970	25,970	18,376	7,594
Capital outlay	300	300	-	300
	<u>358,330</u>	<u>343,330</u>	<u>338,631</u>	<u>4,699</u>
Financial administration				
Salaries	448,140	448,140	449,058	(918)
Operating expenses	59,590	64,005	62,368	1,637
Capital outlay	-	-	700	(700)
	<u>507,730</u>	<u>512,145</u>	<u>512,126</u>	<u>19</u>
Law				
Operating expenses	60,000	72,530	72,524	6
Planning and zoning				
Salaries	242,160	242,160	264,723	(22,563)
Operating expenses	68,275	66,230	66,419	(189)
Capital outlay	51,500	44,359	16,660	27,699
	<u>361,935</u>	<u>352,749</u>	<u>347,802</u>	<u>4,947</u>
Information technology				
Operating expenses	122,950	122,950	90,704	32,246
Capital outlay	5,000	5,000	35,543	(30,543)
	<u>127,950</u>	<u>127,950</u>	<u>126,247</u>	<u>1,703</u>
Other general government				
HR/personnel	28,700	29,350	29,340	10
Operating expenses	58,810	82,956	83,158	(202)
	<u>87,510</u>	<u>112,306</u>	<u>112,498</u>	<u>(192)</u>
Total general government	<u>1,723,725</u>	<u>1,737,680</u>	<u>1,726,454</u>	<u>11,226</u>

Town of La Plata, Maryland

**Detail Schedule of Expenditures - Budget and Actual - General Fund
Year Ended June 30, 2016**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
Public safety				
Police Department				
Salaries	1,589,845	1,589,845	1,586,797	3,048
Operating expenses	286,260	277,972	234,476	43,496
Capital outlay	192,800	192,800	134,755	58,045
	<u>2,068,905</u>	<u>2,060,617</u>	<u>1,956,028</u>	<u>104,589</u>
Emergency preparedness				
Operating expenses	10,000	10,000	8,651	1,349
Inspections and enforcement				
Salaries	156,320	156,320	143,810	12,510
Operating expenses	74,140	72,923	72,172	751
Capital outlay	-	-	423	(423)
	<u>230,460</u>	<u>229,243</u>	<u>216,405</u>	<u>12,838</u>
Total public safety	<u>2,309,365</u>	<u>2,299,860</u>	<u>2,181,084</u>	<u>118,776</u>
Public works				
Public works administration				
Salaries	456,440	456,440	472,752	(16,312)
Operating expenses	168,695	166,572	131,790	34,782
Capital outlay	55,000	55,000	19,997	35,003
	<u>680,135</u>	<u>678,012</u>	<u>624,539</u>	<u>53,473</u>
Maintenance operations				
Salaries	126,685	126,685	82,332	44,353
Operating expenses	455,800	454,239	331,354	122,885
Capital outlay	-	-	1,110	(1,110)
	<u>582,485</u>	<u>580,924</u>	<u>414,796</u>	<u>166,128</u>
Streets				
Salaries	86,660	86,660	115,227	(28,567)
Operating expenses	343,010	343,010	277,636	65,374
Capital outlay	418,000	418,000	276,265	141,735
	<u>847,670</u>	<u>847,670</u>	<u>669,128</u>	<u>178,542</u>
Total public works	<u>2,110,290</u>	<u>2,106,606</u>	<u>1,708,463</u>	<u>398,143</u>

Town of La Plata, Maryland

**Detail Schedule of Expenditures - Budget and Actual - General Fund
Year Ended June 30, 2016**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
Parks, recreation and culture				
Park maintenance and recreation				
Salaries	87,700	87,700	85,806	1,894
Operating expenses	105,440	104,674	75,253	29,421
Capital outlay	750	750	6,850	(6,100)
	<u>193,890</u>	<u>193,124</u>	<u>167,909</u>	<u>25,215</u>
Community promotion				
Salaries	81,615	81,615	79,181	2,434
Operating expenses	161,930	161,930	127,478	34,452
	<u>243,545</u>	<u>243,545</u>	<u>206,659</u>	<u>36,886</u>
Total parks, recreation and culture	<u>437,435</u>	<u>436,669</u>	<u>374,568</u>	<u>62,101</u>
Debt service	<u>272,930</u>	<u>1,114,493</u>	<u>1,105,127</u>	<u>9,366</u>
Total expenditures	<u>\$ 6,853,745</u>	<u>\$ 7,695,308</u>	<u>\$ 7,095,696</u>	<u>\$ 599,612</u>

See Independent Auditor's Report.

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