

Town of La Plata, Maryland

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

June 30, 2019

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, 2019, 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, 2019, 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 - 14 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 section 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 20, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of La Plata, Maryland's 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 20, 2019

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2019

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, 2019. 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 \$51,430,022 (net position). Of this amount, \$18,436,926 (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 \$1,227,532 in FY19. This is the result of a \$569,897 increase associated with governmental activities and a \$657,635 increase associated with business-type activities.

As of the close of the current fiscal year, the Town's General Fund reported a fund balance of \$13,635,276, an increase of \$765,544 from the prior year, and the fund balance in the Town's Nonmajor Governmental Funds increased from \$73 to \$82.

The net position of the Town's business-type activities (Water and Sewer Fund, Sanitation Fund, Nonmajor Proprietary Fund) increased by \$657,635 to \$28,361,956 in FY19.

Overall, the Town's total long-term obligations, which include the Town's net pension liability amounts, decreased by approximately \$497,146 in FY19. The General Fund obligations increased by approximately \$167,336, while the Enterprise Fund debt decreased by approximately \$664,482.

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 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, 2019

Both 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 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 Management 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, 2019**

Government-wide Financial Analysis

As noted earlier, net position serves as a useful indicator of a government's financial position over time. The Town's combined assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$51,430,022 at the close of the most recent fiscal year.

Of the Town's net position, \$31,178,854, or 60.62%, 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	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 14,046,751	\$ 13,208,144	\$ 9,718,800	\$ 8,415,550	\$ 23,765,551	\$ 21,623,694
Capital assets, net	11,635,132	11,829,947	24,886,293	26,327,131	36,521,425	38,157,078
Total assets	<u>25,681,883</u>	<u>25,038,091</u>	<u>34,605,093</u>	<u>34,742,681</u>	<u>60,286,976</u>	<u>59,780,772</u>
Deferred outflows of resources	<u>660,414</u>	<u>613,651</u>	<u>135,916</u>	<u>123,468</u>	<u>796,330</u>	<u>737,119</u>
Liabilities:						
Long-term liabilities	2,636,862	2,469,526	5,945,782	6,610,264	8,582,644	9,079,790
Other liabilities	417,814	349,677	396,328	488,056	814,142	837,733
Total liabilities	<u>3,054,676</u>	<u>2,819,203</u>	<u>6,342,110</u>	<u>7,098,320</u>	<u>9,396,786</u>	<u>9,917,523</u>
Deferred inflows of resources	<u>219,555</u>	<u>334,370</u>	<u>36,943</u>	<u>63,508</u>	<u>256,498</u>	<u>397,878</u>
Net position:						
Invested in capital assets, net of related debt	11,627,132	11,819,947	19,551,722	19,562,112	31,178,854	31,382,059
Restricted	-	-	1,814,242	1,414,379	1,814,242	1,414,379
Unrestricted	11,440,934	10,678,222	6,995,992	6,727,830	18,436,926	17,406,052
Total net position	<u>\$ 23,068,066</u>	<u>\$ 22,498,169</u>	<u>\$ 28,361,956</u>	<u>\$ 27,704,321</u>	<u>\$ 51,430,022</u>	<u>\$ 50,202,490</u>

Governmental activities. The Town's net position increased by \$569,897 as a result of governmental activities in FY19. This represents approximately 46.43% of the total change in net position for FY19.

Overall, governmental activity revenue increased by approximately \$314,576, or 3.97%, in FY19 compared to FY18. Total revenues of \$8,245,373 are comprised of program revenues totaling \$874,742, or 10.61%, and general revenues of \$7,370,631, or 89.39%. General revenues are the principal source of funding for the major activities of the Town. Property taxes including penalties and interest, prior year collections, and special taxes decreased by \$250,443 in FY19 compared to FY 18. This decrease was a result of the Town receiving two special tax payments from the Heritage Green Special Tax District in FY18 totaling \$479,000, a reduction in prior year collections amounting to \$60,022, and penalties and interest declining by \$70,143. Investment earnings increased by \$157,464, or 122.70%, due to a change in investment strategies and improvement in the interest rate environment in FY19 relative to FY18.

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2019

In FY19 governmental activity expenses increased by approximately \$1,125,737, or 17.19%. Governmental activities are divided into five subcategories for reporting purposes based on their functional/operational nature and the State of Maryland's Uniform Financial Reporting guidelines. The categories are general government, public safety, public works, parks/recreation/community promotion and interest on long-term debt. These are further broken down by the Town into Departments/Divisions to match areas of authority and responsibility. There were increases in all the expenditure categories except interest on long-term debt. Public works increased \$675,251, or 38.66%, which is primarily attributable to highway user revenue street paving and the reconstruction of Patuxent Court. Due to time and weather constraints in FY18, the Town was unable to complete any significant HUR work with total expenses equaling \$8,424. In FY19, the Town appropriated funds from the HUR reserve and completed \$519,522 worth of paving. Additionally, the Town completed the reconstruction of Patuxent Court and abutting parking spaces costing \$103,621. A portion of these costs will be paid by an equitable special assessment that has been levied on the Patuxent Court properties and will be collected over the next seven years.

A more detailed discussion of the Town's revenue and expense results for FY19 as compared to what was budgeted can be found in the General Fund Budget Highlights section of this MD&A.

Business-type activities. The change in net position attributable to business-type activities was an increase of \$657,635 or 53.57%, of the total change in the Town's net position in FY19. There were increases in net position in all three of the business-type activity funds. The increases were – Water and Sewer Fund - \$576,029, Sanitation - \$47,420 and Non-major Proprietary Fund ("Storm Water Management Fund") - \$34,186.

Town of La Plata, Maryland

**Management's Discussion and Analysis -
Required Supplementary Information
June 30, 2019**

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Town	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 386,619	\$ 332,144	\$ 6,463,867	\$ 6,098,610	\$ 6,850,486	\$ 6,430,754
Operating grants and contributions	488,123	399,095	45,000	45,000	533,123	444,095
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Taxes						
Property	4,427,315	4,677,758	-	-	4,427,315	4,677,758
Income	1,688,433	1,490,940	-	-	1,688,433	1,490,940
Hotel/motel	77,710	75,736	-	-	77,710	75,736
Franchise fees	176,238	185,099	-	-	176,238	185,099
Investment earnings	285,792	128,328	149,466	66,111	435,258	194,439
Miscellaneous	152,727	140,341	-	-	152,727	140,341
Transfers	562,416	501,356	(562,416)	(501,356)	-	-
Total revenues	8,245,373	7,930,797	6,095,917	5,708,365	14,341,290	13,639,162
Expenses:						
General government	1,823,246	1,811,523	-	-	1,823,246	1,811,523
Public safety	2,915,942	2,517,697	-	-	2,915,942	2,517,697
Public works	2,421,857	1,746,606	-	-	2,421,857	1,746,606
Recreation	513,437	462,360	-	-	513,437	462,360
Water and sewer service	-	-	4,157,029	4,057,039	4,157,029	4,057,039
Sanitation and waste removal	-	-	930,830	890,256	930,830	890,256
Storm water management	-	-	350,423	199,720	350,423	199,720
Interest on long-term debt	994	11,553	-	-	994	11,553
Total expenses	7,675,476	6,549,739	5,438,282	5,147,015	13,113,758	11,696,754
Change in net position	569,897	1,381,059	657,635	561,350	1,227,532	1,942,408
Net position - beginning of year	22,498,169	21,117,110	27,704,321	27,142,971	50,202,490	48,260,081
Net position - end of year	<u>\$ 23,068,066</u>	<u>\$ 22,498,169</u>	<u>\$ 28,361,956</u>	<u>\$ 27,704,321</u>	<u>\$ 51,430,022</u>	<u>\$ 50,202,489</u>

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2019

Financial Analysis of the Town's Funds

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is valuable in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned fund balance provides a reserve for emergencies, funds capital projects, enables the Town Council to stabilize tax rates, and provides working capital from which to pay Town bills between tax collection dates. The Town has one major governmental fund, the General Fund. As of June 30, 2019, the Town's total General Fund balance was \$13,635,276, which represents an increase of \$765,544, or 5.95%, in FY 19 compared to FY 18.

Of the total ending fund balance, \$8,541,030 consists of the unassigned fund balance, which is available for spending at the Town's discretion. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 114.86% of the total General Fund expenditures, while total fund balance represents 183.37% of the same amount.

The highway user revenue assigned fund balance decreased by \$168,394, or 48.66%, due to the appropriation of funds to complete work in FY19 that the town was unable to complete in FY 18. The vehicle replacement assigned fund balance decreased by \$61,282, or 8.32%, due to the purchase of two Ford F250s totaling \$65,811 and two Ford F350s totaling \$83,910. The building replacement reserve assigned fund balance increased by \$150,000, or 8.62%, due to the transfer of \$150,000 into the reserve from the Town's unassigned fund balance.

The Town of La Plata remains strong financially. Real property taxes remain the major source of revenue for the Town, comprising 54.32% of total General Fund revenue, and are not growing at the same rate as the Town's expenses. For these revenues to grow the underlying property values must appreciate at or above the level of the Town's cost growth rate or there has to be significant new development that creates more value. Without an increased pace of appreciation or significant new development, the Town will ultimately be forced to find ways to cut costs or raise more revenues to balance its budget. Ensuring the Town remains financially strong in this environment will require vigilance and careful management of the Town's resources.

Proprietary funds. The Town's enterprise funds are the same as its business-type activities. 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 Management Fund. The focus of the Town's enterprise funds is to provide detailed information on activities financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. In particular, unrestricted net position serves as a useful indicator of the resources available that have no externally imposed restriction on use. The Water and Sewer Fund ended FY19 with an unrestricted net position of \$5,332,886, which represents an increase of \$238,745, or 4.69%, in FY 19 compared to FY18. The year ending Sanitation Fund unrestricted net position balance was \$1,089,040, which represents an increase of \$80,288, or 7.96%, in FY19 compared to FY18. The Storm Water Management Fund unrestricted net position decreased in FY19 compared to FY18. The unrestricted net position decreased by \$50,871 to \$574,066, or 8.14%.

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2019

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 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. Major facility fee revenue collected in FY19 equaled \$836,921 which was adequate to cover the yearly debt service funds. The major facility fee reserve is comprised of the restricted net position within the Water and Sewer Fund which had a year-end balance of \$1,814,242. If there is no new development within the Town, the reserve could fund debt service costs for approximately three more years.

The Storm Water Management Fund faces significant challenges in the coming years due to aging infrastructure and legislative mandates. In FY19 there were multiple unanticipated emergency repairs to storm water infrastructure. Additionally, the Town has an MS4 Permit from the State of Maryland that mandates La Plata to meet certain standards. This permit requires the Town to make significant upgrades to untreated impervious surfaces to current storm water standards. The cost to be in compliance with the MS4 permit puts an enormous amount of future costs on the Storm Water Fund.

Budget Highlights

There were three budget amendment ordinances considered and adopted by the Mayor and Council for FY19.

Ordinance 18-08 was adopted in September of 2018. It provided for realignment of \$482,815 in appropriations to align them with expenditures.

Ordinance 18-14 was adopted in November of 2018. It provided for realignment of \$65,815 in appropriations to align them with expenditures.

Ordinance 19-12 was adopted in October of 2019. It provided for the appropriation of \$76,554 in grant funding the Town received in FY19, which was not appropriated in the original budget and the realignment of \$322,023 in appropriations to align with expenditures.

The Town's levels of budgetary control are at the category/subcategory level for revenues and at the department level for expenditures. When actual revenues exceed budgeted revenues or actual expenditures are less than budgeted expenditures, the difference is a favorable difference. When actual revenues are less than budgeted revenues or actual expenditures exceed budgeted expenditures, the difference is an unfavorable variance. In FY19, there were favorable variances overall for both revenues and expenditures. On the revenue side, there was a total favorable variance of \$854,071 or approximately 12.59%, and there was a total favorable variance of \$564,583, or 7.06%, in expenditures. The significant variances between the budgeted and actual amounts in FY19 (category >10% of total and individual subcategory variance > 10% or department variance >5% of total) are described below.

Revenues

Local tax revenues comprise 51.02% of the total favorable variance for revenues. The favorable variance for real property tax was \$142,373, or 3.55%. The amounts budgeted for tax revenues are estimated based on past history. They are budgeted conservatively because they are subject to unexpected fluctuations that can occur as a result of changes in general economic conditions that

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2019

cannot readily be anticipated, so there are typically small favorable variances in tax revenues. The FY19 variances in income, business personal property, and hotel/motel tax revenues were all significant.

Income tax revenues exceeded the amount budgeted by \$249,619, or 17.48%. As noted previously, the Town has no ability to control this revenue source and it is directly related to general economic conditions and the income earned by the Town's residents and businesses. The majority of the favorable variance can be attributed to increased earnings, but \$164,491 of the variance was the result of prior year tax payments and interest and penalties received.

Personal property tax revenues were \$24,717 or 15.20%, more than the amount budgeted. These revenues have steadily been decreasing over the five years prior to FY19 as existing property has aged and depreciated without there being any significant new investments in business personal property in the Town to offset the decreases. Based on the actual revenue received there was clearly a significant increase in the amount invested in business personal property in FY19 that was unanticipated.

There was a favorable variance in the amount of hotel/motel tax revenue the Town received in FY19 relative to the amount that was budgeted. The variance was \$7,710, or 11.01 percent. FY19 was the fourth year for the Town's hotel/motel tax and, as such, there was only three years of data and collections for use in projecting the FY19 revenues. Due to this, the amount budgeted was based on that activity. With four years of experience, there is a better idea of what the annual revenues will be and the amounts budgeted will be budgeted accordingly.

Licenses and permits account for 11.06% of the total favorable variance for revenues. Like tax revenues, license and permit revenue is budgeted conservatively as they are subject to unexpected fluctuations that can occur as a result of changes in general economic conditions. The favorable variance in construction permits is \$95,676, or 61.33%, which is due to an overall increase in construction activity within the Town.

Favorable variances in the miscellaneous revenue category totaled \$240,361, or 123.87%, and accounted for 28.14%, of the total favorable variance in revenues. The miscellaneous revenue category is comprised of subcategories like investment earnings, proceeds from the sale of assets, rents and other (contributions and donations, insurance reimbursements, etc.). These amounts are totally dependent on the particular events occurring in a given year and are difficult to estimate. Revenues from investment earnings were significantly higher than they have been historically and the primary reason for the favorable revenues in FY19.

Investment earnings represented a favorable variance of \$214,352, or 300%, due to a change in investment strategies and improvement in the interest rate environment in FY19 relative to FY18. Investment earnings are budgeted conservatively because of the uncertain nature of interest rate fluctuations. They are budgeted based of historic data and current holdings.

There was an unfavorable variance in the amount of rents and concessions revenue the Town received in FY19 relative to the amount budgeted. The unfavorable variance was \$18,826, or 29.60%. This unfavorable variance was due to vacancies in multiple Town rental properties during the fiscal year.

The Town doesn't budget anything for insurance reimbursements because there is no way to know what these might be in advance. If the Town receives them, they are technically off-setting a loss or impairment of a resource the Town already owns, so they don't really improve the Town's financial position. However, when the Town does receive insurance reimbursements, they are recorded as

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2019

revenues and, for the purposes of budget to actual analysis, they will appear as favorable variances. In FY19, Town received \$4,672 for insurance reimbursement. From a budget to actual perspective, this total amount represents a favorable variance but because the proceeds were used to offset the cost of repairs to the asset, the Town's overall financial position wasn't positively impacted by the receipt of this payment, as would be the case for most favorable revenue variances.

When developers or others formally submit applications for projects that will likely require the Town to expend significant amounts, during the review and approval process, on third-party services, the Town regularly requires the applicant to give the Town a deposit that it can draw against to pay third-party costs it incurs. When the Town incurs costs, it recognizes the appropriate amount of the deposit as a revenue. These contribution and donation revenues are very similar to insurance reimbursements in the way that they are budgeted and operate. Like insurance reimbursements, the Town doesn't budget anything for them. This is because the Town has no idea, in advance, how much of these they'll receive in a year and receiving them doesn't truly impact the Town's fiscal condition because they are merely offsetting a cost that was incurred. However, just as like with insurance reimbursements, when the Town does record contribution and donation revenue, it is booked as revenue and, for the purposes of budget to actual analysis, it will appear as favorable variance. In FY19, there were several development projects where the Town incurred significant third-party costs in the review process and recognized revenue to offset these costs. The amount of revenue recognized was \$35,184 which from a budget to actual perspective, represents a favorable variance.

Expenditures

Of the total favorable expenditure variance of \$564,583, \$227,542, or 40.30%, was attributable to the general government departments. The department with the largest variance was Planning and Zoning, which had a favorable variance of \$121,356, or 24.15%. This was because \$45,000 was budgeted to perform a Town boundary update but was not done in FY19. Additionally, the budget included expenditures for employee salary that were not used due to staff turnover and position vacancies. There were also large favorable dollar variances in Information Technology amounting to \$47,569, or 37.60%, resulting from lower than expected support expenses in FY19. Administration had a favorable variance of \$43,597 or 10.33%, which was due to less than expected costs in salaries and operating expenses. Other general government had an unfavorable variance of \$19,423, or 21.25%, due to a financial advisors' report related to the proposed Stagecoach Crossing special taxing district. This entire cost was offset by a developer deposit and the recognition of the corresponding revenue in FY19.

The public safety departments accounted for \$107,909, or 19.11%, of the overall favorable expenditure variance. From a dollar and percentage perspective, the police department had the largest variance of \$107,572 and 3.82%.

The public works departments were responsible for \$154,625, or 27.39%, of the total favorable expense variance. The maintenance operations department had a favorable variance of \$30,667, or 5.64%, due to lower than expected expenses in fleet maintenance. The street department had a favorable variance of \$58,140, or 5.50%. The street variance was primarily the result of the Town not spending all the funds budgeted for the ongoing sidewalk extension program.

There was also a favorable expenditure variance in debt services. The variance was \$61,075, or 50.37%, and accounted for 10.82% of the total favorable expenditure variance. This was the result of there being funds budgeted in FY19 for debt service on a loan that was paid off.

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2019

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, 2018, was \$38,157,078 (net of accumulated depreciation) and decreased by \$1,635,653 to \$36,521,425 as of June 30, 2019. 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 6 to the basic financial statements.

The Town's net value of the governmental activities capital assets decreased \$194,815 in FY19. The Town made \$484,463 of capital additions in governmental activities in FY19. These included four new police vehicles (\$160,470), two new public works Ford F-350s (\$65,810), partial allocations of public works Ford F250 (\$41,955), new police radios (\$35,910), new police cameras (\$20,025), a police message trailer (\$17,896), a police mobile surveillance camera (\$32,815), and a police training dart system (\$9,795). Further capital investments made in the fiscal year include upgrades to the Town Hall alarm system (\$17,750), two electronic Town signs (\$16,170), an ornamental holiday tree (\$29,691), cubical furniture for the planning department (\$9,020) and playground equipment for Tilghman Lake (\$27,156) funded through a Maryland Department of Natural Resources grant. 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 \$1,440,838 in FY19. This is the net of new additions, the annual depreciation expenses and disposal of assets. The new capital additions in FY19 was \$390,890 while the annual depreciation expense was \$1,616,417. The new additions consisted of partial allocation of the costs of new public works vehicle (\$41,960), and amounts spent on infrastructure projects (Town Hall storm water drainage and Quailwood storm water pipe) that are complete (\$348,930).

Long-term debt. At June 30, 2019, the Town had total outstanding debt of \$5,750,708, exclusive of net pension liability. Total outstanding debt for the governmental activities is \$355,709. Total outstanding debt for the business-type activities is \$5,394,999. More detailed information about long-term debt can be found in Note 7 to the basic financial statements.

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2019

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 FY19. 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 these properties to try and secure funding for the sewer and water infrastructure improvements that are needed for it to move forward. Work on the other two projects is still on-going. There are also still a couple of ambitious mixed use projects in the pipeline. 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 the Maryland Department of the Environment to manage the water resources and increase its appropriations. The Town 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, 2019**

	Governmental activities	Business-type activities	Total primary government
Assets			
Cash and cash equivalents	\$ 209,574	\$ 117,874	\$ 327,448
Investments, including accrued interest Receivables (net of allowance for uncollectibles)	13,353,779	7,466,037	20,819,816
Property taxes	24,742	-	24,742
Other receivables	86,762	2,134,889	2,221,651
Due from other governments	198,634	-	198,634
Prepaid expenses	173,260	-	173,260
Capital assets			
Nondepreciable assets	3,519,496	632,707	4,152,203
Depreciable assets, net	8,115,636	24,253,586	32,369,222
 Total assets	\$ 25,681,883	\$ 34,605,093	\$ 60,286,976
 Deferred outflows of resources			
Deferred outflows - pension related	\$ 660,414	\$ 135,916	\$ 796,330
 Liabilities			
Current liabilities			
Accounts payable and other current liabilities	\$ 361,894	\$ 365,126	\$ 727,020
Accrued expenses	-	31,202	31,202
Deposits	37,621	-	37,621
Other liabilities	18,299	-	18,299
Noncurrent liabilities			
Due within one year	38,236	736,781	775,017
Due in more than one year	2,598,626	5,209,001	7,807,627
 Total liabilities	3,054,676	6,342,110	9,396,786
 Deferred inflows of resources			
Deferred inflows - pension related	\$ 219,555	\$ 36,943	\$ 256,498
 Net position			
Invested in capital assets, net of related debt	11,627,132	19,551,722	31,178,854
Restricted for major facility fee	-	1,814,242	1,814,242
Unrestricted	11,440,934	6,995,992	18,436,926
 Total net position	\$ 23,068,066	\$ 28,361,956	\$ 51,430,022

See Notes to Financial Statements.

Town of La Plata, Maryland

**Statement of Activities
June 30, 2019**

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	\$ 1,823,246	\$ 379,658	\$ -	\$ -	\$ (1,443,588)	\$ -	\$ (1,443,588)
Public safety	2,915,942	-	109,839	-	(2,806,103)	-	(2,806,103)
Public works	2,421,857	-	351,128	-	(2,070,729)	-	(2,070,729)
Parks, recreation and culture	513,437	6,961	-	27,156	(479,320)	-	(479,320)
Interest long-term debt	994	-	-	-	(994)	-	(994)
Total governmental activities	7,675,476	386,619	460,967	27,156	(6,800,734)	-	(6,800,734)
Business-type activities							
Water and sewer services	4,157,029	4,982,570	45,000	-	-	870,541	870,541
Sanitation and waste removal	930,830	1,076,692	-	-	-	145,862	145,862
Storm water management	350,423	404,605	-	-	-	54,182	54,182
Total business-type activities	5,438,282	6,463,867	45,000	-	-	1,070,585	1,070,585
Total primary government	\$ 13,113,758	\$ 6,850,486	\$ 505,967	\$ 27,156	(6,800,734)	1,070,585	(5,730,149)
General revenues							
Taxes							
Property					4,427,315	-	4,427,315
Income					1,688,433	-	1,688,433
Hotel/motel					77,710	-	77,710
Franchise fee					176,238	-	176,238
Investment earnings					285,792	149,466	435,258
Miscellaneous					152,727	-	152,727
Transfers					562,416	(562,416)	-
Total general revenues and transfers					7,370,631	(412,950)	6,957,681
Change in net position					569,897	657,635	1,227,532
Net position - beginning of year					22,498,169	27,704,321	50,202,490
Net position - end of year					\$ 23,068,066	\$ 28,361,956	\$ 51,430,022

See Notes to Financial Statements.

Town of La Plata, Maryland

**Balance Sheet - Governmental Funds
June 30, 2019**

	General fund	Nonmajor governmental funds	Total governmental funds
<u>Assets</u>			
Cash and cash equivalents	\$ 209,574	\$ -	\$ 209,574
Investments, including accrued interest	13,261,718	92,061	13,353,779
Property taxes receivable	24,742	-	24,742
Due from other governments	196,438	2,196	198,634
Other receivables	86,762	-	86,762
Prepaid expenses	173,260	-	173,260
	<u>\$ 13,952,494</u>	<u>\$ 94,257</u>	<u>\$ 14,046,751</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 261,959	\$ 93,514	\$ 355,473
Deposits	37,621	-	37,621
Other liabilities	17,638	661	18,299
	<u>317,218</u>	<u>94,175</u>	<u>411,393</u>
Fund balances			
Nonspendable			
Prepaid expenses	173,260	-	173,260
Assigned			
Highway user revenue reserve	177,702	-	177,702
Transportation improvements	314,022	-	314,022
Vehicle replacement	675,632	-	675,632
Forest conservation	129,304	-	129,304
Contingency	1,600,000	-	1,600,000
Storm reserve	133,493	-	133,493
Building replacement reserve	1,890,833	-	1,890,833
Public education	-	82	82
Unassigned	8,541,030	-	8,541,030
	<u>13,635,276</u>	<u>82</u>	<u>13,635,358</u>
	<u>\$ 13,952,494</u>	<u>\$ 94,257</u>	<u>\$ 14,046,751</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, 2019**

Total fund balances - governmental funds \$ 13,635,358

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	\$ 19,073,860	
Accumulated depreciation	<u>(7,438,728)</u>	
		11,635,132

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

Accrued interest payable	(6,421)	
Notes payable	(8,000)	
Accumulated unused compensated absences	(347,709)	
Net pension liability	(2,281,153)	
Deferred outflows and inflows of resources	<u>440,859</u>	
		<u>(2,202,424)</u>

Total net position - governmental activities \$ 23,068,066

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, 2019**

	General Fund	Nonmajor governmental funds	Total governmental funds
Revenue			
Taxes	\$ 6,193,458	\$ -	\$ 6,193,458
Licenses and permits	459,497	-	459,497
Intergovernmental	444,127	43,996	488,123
Charges for services	103,360	-	103,360
Fines and forfeitures	4,118	-	4,118
Miscellaneous	434,401	-	434,401
Total revenue	<u>7,638,961</u>	<u>43,996</u>	<u>7,682,957</u>
Expenditures			
Current			
General government	1,772,033	-	1,772,033
Public safety	2,907,910	16,831	2,924,741
Public works	2,241,852	-	2,241,852
Parks, recreation and culture	453,872	27,156	481,028
Debt service			
Principal reduction	59,154	-	59,154
Interest	1,012	-	1,012
Total expenditures	<u>7,435,833</u>	<u>43,987</u>	<u>7,479,820</u>
Excess of expenditures over revenue	<u>203,128</u>	<u>9</u>	<u>203,137</u>
Other financing sources			
Transfers	<u>562,416</u>	<u>-</u>	<u>562,416</u>
Excess of revenue and other financing sources over expenditures and other financing sources	765,544	9	765,553
Fund balances at beginning of year	<u>12,869,732</u>	<u>73</u>	<u>12,869,805</u>
Fund balances at end of year	<u><u>\$ 13,635,276</u></u>	<u><u>\$ 82</u></u>	<u><u>\$ 13,635,358</u></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, 2019**

Excess of revenue and other financing sources over expenditures and other financing sources - governmental funds	\$	765,553
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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	\$	484,463	
Depreciation		<u>(679,278)</u>	(194,815)

Repayment of loan principal is an expenditure in the general fund, but the repayment reduces noncurrent liabilities in the statement of net position.		59,154
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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.		18
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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>(60,013)</u>
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Change in net position of governmental activities	\$	<u><u>569,897</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, 2019**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
Revenues				
Taxes	\$ 5,754,600	\$ 5,754,600	\$ 6,193,458	\$ 438,858
Licenses and permits	365,000	365,000	459,497	94,497
Intergovernmental	404,850	404,850	444,127	39,277
Service charges	61,400	61,400	103,360	41,960
Fines and forfeitures	5,000	5,000	4,118	(882)
Miscellaneous	194,040	194,040	434,401	240,361
Total revenues	6,784,890	6,784,890	7,638,961	854,071
Expenditures				
Current				
General government	2,074,191	1,999,575	1,772,033	227,542
Public safety	2,991,255	3,015,819	2,907,910	107,909
Public works	2,048,855	2,396,477	2,241,852	154,625
Parks, recreation and culture	467,305	467,305	453,872	13,433
Debt service	121,240	121,240	60,166	61,074
Total expenditures	7,702,846	8,000,416	7,435,833	564,583
Other financing sources				
Transfers in	770,130	835,945	562,416	(273,529)
Net change in fund balance	\$ (147,826)	\$ (379,581)	765,544	\$ 1,145,125
Fund balance at beginning of year			12,869,732	
Fund balance at end of year			\$ 13,635,276	

See Notes to Financial Statements.

Town of La Plata, Maryland

**Statement of Net Position - Proprietary Funds
June 30, 2019**

	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	\$ 93,776	\$ 15,728	\$ 8,370	\$ 117,874
Investments	5,937,667	997,161	531,209	7,466,037
Service charges receivable	1,748,805	283,165	102,919	2,134,889
	<u>7,780,248</u>	<u>1,296,054</u>	<u>642,498</u>	<u>9,718,800</u>
Capital assets				
Land	399,295	-	6,200	405,495
Buildings	13,224,908	-	-	13,224,908
Improvements	189,937	-	-	189,937
Infrastructure	27,584,097	-	1,745,366	29,329,463
Other equipment	1,738,690	91,628	33,438	1,863,756
Vehicles and mobile equipment	582,775	462,671	21,252	1,066,698
Construction-in-progress	23,223	-	203,989	227,212
	<u>43,742,925</u>	<u>554,299</u>	<u>2,010,245</u>	<u>46,307,469</u>
Less accumulated depreciation	<u>(20,433,052)</u>	<u>(184,331)</u>	<u>(803,793)</u>	<u>(21,421,176)</u>
	<u>23,309,873</u>	<u>369,968</u>	<u>1,206,452</u>	<u>24,886,293</u>
Total assets	<u>\$ 31,090,121</u>	<u>\$ 1,666,022</u>	<u>\$ 1,848,950</u>	<u>\$ 34,605,093</u>
Deferred outflows of resources				
Deferred outflows - pension related	\$ 81,208	\$ 35,163	\$ 19,545	\$ 135,916
Liabilities				
Current liabilities				
Accounts payable	\$ 299,428	\$ 56,871	\$ 8,827	\$ 365,126
Accrued liabilities	31,202	-	-	31,202
Revenue bonds payable	730,941	-	-	730,941
General obligation bonds payable	-	-	-	-
Compensated absences	5,010	-	830	5,840
Noncurrent liabilities				
Revenue bonds payable	4,603,630	-	-	4,603,630
General obligation bonds payable	-	-	-	-
Compensated absences	41,404	12,202	982	54,588
Net pension liability	318,288	161,214	71,281	550,783
Total liabilities	<u>6,029,903</u>	<u>230,287</u>	<u>81,920</u>	<u>6,342,110</u>
Deferred inflows of resources				
Deferred inflows - pension related	18,996	11,890	6,057	36,943
Net position				
Invested in capital assets, net of related debt	17,975,302	369,968	1,206,452	19,551,722
Restricted				
Major facility fee	1,814,242	-	-	1,814,242
Unrestricted	5,332,886	1,089,040	574,066	6,995,992
Total net position	<u>\$ 25,122,430</u>	<u>\$ 1,459,008</u>	<u>\$ 1,780,518</u>	<u>\$ 28,361,956</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, 2019**

	Business-type Activities - Enterprise funds			Total business-type activities
	Water and sewer fund	Sanitation fund	Nonmajor proprietary fund	
Operating revenue				
Current use charges	\$ 4,889,571	\$ 1,062,925	\$ 404,605	\$ 6,357,101
Fines and forfeitures	43,364	13,767	-	57,131
Intergovernmental	45,000	-	-	45,000
Miscellaneous				
Water meters	38,490	-	-	38,490
Bulk water	733	-	-	733
Other	10,412	-	-	10,412
Total operating revenue	5,027,570	1,076,692	404,605	6,508,867
Operating expenses				
Salaries and payroll expense	671,588	336,156	112,898	1,120,642
Electricity	461,377	-	-	461,377
Repairs and maintenance of systems and equipment	-	29,495	8,458	37,953
Other operating expenses	1,442,149	532,311	145,156	2,119,616
Depreciation	1,499,638	32,868	83,911	1,616,417
Total operating expenses	4,074,752	930,830	350,423	5,356,005
Operating income	952,818	145,862	54,182	1,152,862
Nonoperating revenue (expenses)				
Interest income	110,003	24,219	15,244	149,466
Interest charges	(82,277)	-	-	(82,277)
Total nonoperating (expenses) revenue	27,726	24,219	15,244	67,189
Income before transfers	980,544	170,081	69,426	1,220,051
Transfers out	(404,515)	(122,661)	(35,240)	(562,416)
Change in net position	576,029	47,420	34,186	657,635
Net position - beginning of year	24,546,401	1,411,588	1,746,332	27,704,321
Net position - end of year	\$ 25,122,430	\$ 1,459,008	\$ 1,780,518	\$ 28,361,956

See Notes to Financial Statements.

Town of La Plata, Maryland

**Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2019**

	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	\$ 5,006,564	\$ 1,079,483	\$ 404,449	\$ 6,490,496
Payments to employees	(643,814)	(335,606)	(108,281)	(1,087,701)
Payments to suppliers for goods and services	<u>(1,895,591)</u>	<u>(544,704)</u>	<u>(265,933)</u>	<u>(2,706,228)</u>
Net cash provided by operating activities	<u>2,467,159</u>	<u>199,173</u>	<u>30,235</u>	<u>2,696,567</u>
Cash flows from noncapital financing activities				
Transfers out	<u>(404,515)</u>	<u>(122,661)</u>	<u>(35,240)</u>	<u>(562,416)</u>
Net cash used in noncapital financing activities	<u>(404,515)</u>	<u>(122,661)</u>	<u>(35,240)</u>	<u>(562,416)</u>
Cash flows from capital and related financing activities				
Disposal (acquisition and construction) of capital assets	(6,611)	-	(168,968)	(175,579)
Principal paid on bonds	(736,436)	-	-	(736,436)
Interest paid on bonds	<u>(86,723)</u>	<u>-</u>	<u>15,244</u>	<u>(71,479)</u>
Net cash used in capital and related financing activities	<u>(829,770)</u>	<u>-</u>	<u>(153,724)</u>	<u>(983,494)</u>
Cash flows from investing activities				
Withdrawals from (deposits made for) investments	(1,428,173)	(119,842)	140,428	(1,407,587)
Interest earned	<u>110,003</u>	<u>24,219</u>	<u>-</u>	<u>134,222</u>
Net cash (used in) provided by investing activities	<u>(1,318,170)</u>	<u>(95,623)</u>	<u>140,428</u>	<u>(1,273,365)</u>
Net decrease in cash and cash equivalents	(85,296)	(19,111)	(18,301)	(122,708)
Cash and cash equivalents, beginning of year	<u>179,072</u>	<u>34,839</u>	<u>26,671</u>	<u>240,582</u>
Cash and cash equivalents, end of year	<u>\$ 93,776</u>	<u>\$ 15,728</u>	<u>\$ 8,370</u>	<u>\$ 117,874</u>

Town of La Plata, Maryland

**Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2019**

	Business-type activities - Enterprise funds			Total business-type activities
	Water and sewer fund	Sanitation fund	Nonmajor proprietary fund	
Operating income	\$ 952,818	\$ 145,862	\$ 54,182	\$ 1,152,862
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,499,638	32,868	83,911	1,616,417
Disposal of fixed assets	-	-	-	-
Changes in assets and liabilities				
Accounts receivable	(21,006)	(2,399)	4,288	(19,117)
Accounts payable	31,402	17,102	(112,319)	(63,815)
Compensated absences	4,307	5,740	173	10,220
 Net cash provided by operating activities	 <u>\$ 2,467,159</u>	 <u>\$ 199,173</u>	 <u>\$ 30,235</u>	 <u>\$ 2,696,567</u>

See Notes to Financial Statements.

Town of La Plata, Maryland
Notes to Financial Statements
June 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019, the allowance for uncollectible accounts totaled \$11,749.

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, 2019, 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, 2019

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

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

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

Activities 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 fund's 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, 2019, 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, 2019

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, 2019

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

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

- GASB Statement No. 84, "Fiduciary Activities," will be effective for the Town beginning with the fiscal year ending June 30, 2020. This Statement establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on 1) whether a government is controlling the assets of the activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. 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. 87, "Leases," will be effective for the Town beginning with the fiscal year ending June 30, 2021. This Statement removes the traditional classifications of leases as operating or capital and recognizes all leases as financing tools, resulting in reporting of lease transactions as both a liability and an intangible right to use the leased asset. The Statement defines lease transactions and establishes the new accounting and financial reporting requirements. 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. 89, "Interest," will be effective for the Town beginning with the fiscal year ending June 30, 2020. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. 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. 91, "Conduit Debt Obligations," Issued May 2019, effective for fiscal years beginning after December 15, 2020. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures.

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 and Procurement Article §6-222 and Article 95 §22F of the

Town of La Plata, Maryland
Notes to Financial Statements
June 30, 2019

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, 2019, the Town's investment in MLGIP totaled \$4,536,744.

The Town's investment policy does not permit investment maturities to exceed two years as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2019, all of the Town's certificates of deposit had a maturity of two years or less. As of June 30, 2019, the Town's investment in certificates of deposit and money market accounts totaled \$16,283,072.

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, 2019, all of the Town's deposits were either covered by federal depository insurance or were covered by collateral held by the Town's agent in the Town's name.

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

Note 3 - Fair value measurements

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 Town has the following recurring fair value measurement as of June 30, 2019:

- Amounts invested in certificates of deposit of \$16,283,072 are comprised of securities which are priced by industry standard vendors, using observable inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads (Level 2) which are then allocated to position holders at a per unit value.

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2019**

The following table presents the financial assets that the Town measures at fair value or amortized cost as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments carried at fair value:				
Certificates of Deposit	\$ -	\$ 16,283,072	\$ -	\$ 16,283,072
Money Market	-	-	-	-
Total investments by fair value level	\$ -	\$ 16,283,072	\$ -	16,283,072
Investments carried at amortized cost:				
MLGIP - Mutual Funds				4,536,744
Total investments				\$ 20,819,816

Note 4 - Interfund transfers

Interfund transfers for the year ended June 30, 2019, 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 \$562,416.

Note 5 - Due from other governments

As of June 30, 2019, the balance of due from other governments is as follows:

Governmental activities	
State Highway Administration	\$ 2,087
Income tax	173,697
State grant	22,741
County grant	109
Total due from other governments	\$ 198,634

Town of La Plata, Maryland
Notes to Financial Statements
June 30, 2019

Note 6 - Capital assets

A summary of changes in governmental activities capital assets for the year ended June 30, 2019 is as follows:

Asset class	Balance June 30, 2018	Additions and transfers	Disposals and transfers	Balance June 30, 2019
Capital assets not being depreciated				
Land	\$ 3,519,496	\$ -	\$ -	\$ 3,519,496
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>3,519,496</u>	<u>-</u>	<u>-</u>	<u>3,519,496</u>
Capital assets being depreciated				
Buildings	7,750,251	17,750	-	7,768,001
Improvements other than buildings	1,037,570	27,156	-	1,064,726
Infrastructure	3,769,165	-	-	3,769,165
Other equipment	853,231	171,321	-	1,024,552
Vehicles and mobile equipment	1,731,969	268,236	(72,285)	1,927,920
Total capital assets being depreciated	<u>15,142,186</u>	<u>484,463</u>	<u>(72,285)</u>	<u>15,554,364</u>
Accumulated depreciation for:				
Buildings	(2,367,499)	(202,535)	-	(2,570,034)
Improvements other than buildings	(603,389)	(59,977)	-	(663,366)
Infrastructure	(2,079,087)	(214,769)	-	(2,293,856)
Other equipment	(596,244)	(55,854)	-	(652,098)
Vehicles and mobile equipment	(1,185,516)	(146,143)	72,285	(1,259,374)
Total accumulated depreciation	<u>(6,831,735)</u>	<u>(679,278)</u>	<u>72,285</u>	<u>(7,438,728)</u>
Total capital assets, being depreciated, net	<u>8,310,451</u>	<u>(194,815)</u>	<u>-</u>	<u>8,115,636</u>
Governmental capital assets, net	<u>\$ 11,829,947</u>	<u>\$ (194,815)</u>	<u>\$ -</u>	<u>\$ 11,635,132</u>

Town of La Plata, Maryland
Notes to Financial Statements
June 30, 2019

A summary of changes in business-type activities capital assets for the year ended June 30, 2019 is as follows:

Asset class	Balance June 30, 2018	Additions and transfers	Disposals and transfers	Balance June 30, 2019
Capital assets not being depreciated				
Land	\$ 405,495	\$ -	\$ -	\$ 405,495
Construction in progress	442,523	-	(215,311)	227,212
Total capital assets not being depreciated	848,018	-	(215,311)	632,707
Capital assets being depreciated				
Buildings	13,224,908	-	-	13,224,908
Improvements other than buildings	189,937	-	-	189,937
Infrastructure	28,980,531	348,930	-	29,329,461
Other equipment	1,863,757	-	-	1,863,757
Vehicles and mobile equipment	1,024,739	41,960	-	1,066,699
Total capital assets being depreciated	45,283,872	390,890	-	45,674,762
Accumulated depreciation for:				
Buildings	(6,733,512)	(345,611)	-	(7,079,123)
Improvements other than buildings	(53,188)	(10,237)	-	(63,425)
Infrastructure	(10,921,452)	(1,144,870)	-	(12,066,322)
Other equipment	(1,649,409)	(57,828)	-	(1,707,237)
Vehicles and mobile equipment	(447,198)	(57,871)	-	(505,069)
Total accumulated depreciation	(19,804,759)	(1,616,417)	-	(21,421,176)
Total capital assets, being depreciated, net	25,479,113	(1,225,527)	-	24,253,586
Business-type capital assets, net	<u>\$ 26,327,131</u>	<u>\$ (1,225,527)</u>	<u>\$ (215,311)</u>	<u>\$ 24,886,293</u>

Town of La Plata, Maryland
Notes to Financial Statements
June 30, 2019

Depreciation expense was charged in the statement of activities for the year ended June 30, 2019 as follows:

Governmental activities	
General government	\$ 92,007
Public safety	153,512
Public works	375,610
Parks, recreation and culture	58,149
	\$ 679,278
Business-type activities	
Water and sewer fund	\$ 1,499,638
Sanitation fund	32,868
Nonmajor proprietary fund	83,911
	\$ 1,616,417

Note 7 - Long-term liabilities

Long-term liability activity as of and for the year ended June 30, 2019, is as follows:

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019	Due within one year
Governmental activities					
General obligation bonds	\$ 57,154	\$ -	\$ (57,154)	\$ -	\$ -
Notes payable	10,000	-	(2,000)	8,000	2,000
Compensated absences	299,862	47,847	-	347,709	36,236
Net pension liability	2,102,510	178,643	-	2,281,153	-
	\$ 2,469,526	\$ 226,490	\$ (59,154)	\$ 2,636,862	\$ 38,236
Business-type activities					
Revenue bonds	\$ 6,054,980	\$ -	\$ (720,409)	\$ 5,334,571	\$ 730,941
General obligation bonds	16,027	-	(16,027)	-	-
Compensated absences	50,208	10,220	-	60,428	5,840
Net pension liability	489,049	61,734	-	550,783	-
	\$ 6,610,264	\$ 71,954	\$ (736,436)	\$ 5,945,782	\$ 736,781

Notes payable relating to governmental activities at June 30, 2019 consists of the following:

Note payable with fire house, noninterest-bearing, payable in annual installments of \$2,000 through June 2023.	\$ 8,000
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Town of La Plata, Maryland
Notes to Financial Statements
June 30, 2019

A schedule of maturities of the general obligation bonds payable and notes payable relating to governmental activities as of June 30, 2019 is as follows:

Governmental debt			
	Principal	Interest	Total
June 30, 2020	\$ 2,000	\$ -	\$ 2,000
2021	2,000	-	2,000
2022	2,000	-	2,000
2023	2,000	-	2,000
	\$ 8,000	\$ -	\$ 8,000

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, 2019 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.	\$ 476,517
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.	2,192,031
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.	1,572,471
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.	745,272
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.	348,280
	\$ 5,334,571

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2019**

A schedule of maturities of the revenue bonds payable and general obligation bonds payable relating to business-type activities as of June 30, 2019 is as follows:

Business-type debt			
	Principal	Interest	Total
June 30, 2020	\$ 730,941	\$ 63,323	\$ 794,264
2021	741,635	56,029	797,664
2022	752,495	48,624	801,119
2023	594,503	41,105	635,608
2024	321,798	34,823	356,621
2025 - 2029	1,672,153	110,953	1,783,106
2030 - 2033	521,046	19,024	540,070
	\$ 5,334,571	\$ 373,881	\$ 5,708,452

Note 8 - 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.

Note 9 - Pension plan

Summary

The Town has previously adopted GASB No. 68, "Accounting and Financial Reporting for Pensions". 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 0.01350% as of the measurement date of June 30, 2018.

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 2019 contribution in December 2018 of \$302,183, as adjusted in February 2019, of \$303,651 are, therefore, recognized as a pension related deferred outflow of resources.

The Town's employees participate in the System and contributed 7% of their compensation as stipulated by the System. The Town contributed \$303,651 to the System for fiscal year 2019 which

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2019**

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, 2019, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. There were no adjustments to contributions for the year ended June 30, 2019.

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, 2019, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total Pension Liability	\$ 72,808,833,000
Plan Fiduciary Net Position	<u>51,827,233,000</u>
Net Pension Liability	<u><u>\$ 20,981,600,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>71.18%</u></u>

Actuarial assumptions

- Actuarial - Entry Age Normal
- Amortization Method - Level Percentage of Payroll; Closed
- Asset Valuation Method - 5-year smoothed market
- Inflation - 2.60% general, 3.10% wage
- Salary Increases - 3.10% to 9.10%, including inflation
- Discount Rate - 7.45%
- Investment Rate of Return - 7.45%

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**Notes to Financial Statements
June 30, 2019**

- 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 Mortality Tables with generational mortality projections using scale MP-2014, (2-dimensional) mortality improvement scale
- Note: Discount rate at prior measurement date was 7.50%
- Note: There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions change in the 2018 valuation:
 - Inflation assumption changed from 2.65% to 2.60%

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 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:

<u>Asset class</u>	<u>Target allocations</u>	<u>Long-term expected real rate of return</u>
Public Equity	37%	5.8%
Private Equity	13%	6.7%
Rate Sensitive	19%	1.1%
Credit Opportunity	9%	3.6%
Real Estate	14%	4.8%
Absolute Return	8%	3.2%
Total	<u>100%</u>	

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, 2019.

Discount rate

A single discount rate of 7.45% 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 7.45%. 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,

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**Notes to Financial Statements
June 30, 2019**

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 7.45%, a single discount rate that is one percentage point lower (i.e., 6.45%) and a single discount rate that is one percentage point higher (i.e., 8.45%):

	1% lower 6.45%	Current rate 7.45%	1% higher 8.45%
The System's Net Pension Liability	\$ 30,220,704,000	\$ 20,981,600,000	\$ 13,313,808,000
The Town's Proportionate Share of Net Pension Liability	4,078,949	2,831,936	1,796,991

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

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Notes to Financial Statements June 30, 2019

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 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 2019 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

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2019

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 five 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 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 five 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 five 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.

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2019

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 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, 2019, the Town reported a liability of \$2,831,936 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the Town's proportion was approximately 0.01350%.

Town of La Plata, Maryland
Notes to Financial Statements
June 30, 2019

For the year ended June 30, 2019, the Town recognized pension expense of \$39,786. At June 30, 2019, 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	\$ 76,072	\$ -
Difference between actual and expected experience	-	212,680
Net difference between projected and actual earnings on pension plan investments	93,462	-
Change in proportionate share	323,145	43,818
Contributions subsequent to the measurement date	303,651	-
Total	\$ 796,330	\$ 256,498

The deferred outflow of resources of \$303,651 relating to contributions subsequent to the measurement date of June 30, 2018 will be recognized as a reduction of the Town's net pension liability during the fiscal year ended June 30, 2020. 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 non-investment activity for 2018, 2017, 2016, 2015 and 2014 are being amortized over the remaining service lives ranging from 5 to 5.87 years. The net difference in investment earnings for 2018, 2017, 2016, 2015 and 2014 are being amortized over a closed five-year period. These unamortized amounts will be ratably recognized in pension expense over these services' lives and closed five-year period.

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

Fiscal year ending June 30	Net
2020	\$ 132,733
2021	73,503
2022	(21,164)
2023	15,202
2024	35,907
	\$ 236,181

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2019**

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, 2019 were as follows:

	Governmental activities	Business-type activities			Total
		Water and sewer	Sanitation	Nonmajor	
Total Pension Liability	\$ 7,915,871	\$ 1,104,493	\$ 559,430	\$ 247,349	\$ 9,827,143
Plan Fiduciary Net Position	5,634,718	786,205	398,216	176,068	6,995,207
Net Pension Liability	<u>\$ 2,281,153</u>	<u>\$ 318,288</u>	<u>\$ 161,214</u>	<u>\$ 71,281</u>	<u>\$ 2,831,936</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>71.18%</u>	<u>71.18%</u>	<u>71.18%</u>	<u>71.18%</u>	<u>71.18%</u>

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, 2019 and 2018 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 10 - Commitments

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

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

Note 11 - Subsequent events

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition and disclosure. The effects of the subsequent events that provide evidence about conditions that exist after the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that exist after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the Town through December 20, 2019 (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, 2019**

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

	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Town's proportionate share (%) of collective net pension liability	0.013497%	0.011985%	0.012296%	0.012187%	0.011848%
Town's proportionate share (\$) of collective net pension liability	\$ 2,831,936	\$ 2,591,559	\$ 2,901,192	\$ 2,532,736	\$ 2,102,677
Town's covered payroll (\$)	\$ 3,144,219	\$ 2,985,700	\$ 2,808,231	\$ 2,640,045	\$ 2,956,224
Town's proportionate share of collective net pension liability as a percentage of its covered payroll	90.07%	86.80%	103.31%	95.94%	71.13%
Pension plan's fiduciary net position as a percentage of the total pension liability	71.18%	69.38%	65.79%	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, 2019**

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 303,651	\$ 269,145	\$ 243,931	\$ 239,542	\$ 256,876	\$ 276,107	Not available				
Contributions in relation to the contractually required contribution	303,651	269,145	243,931	239,542	256,876	276,107	Not available				
Contribution deficiency (excess)	<u>\$ -</u>	<u>Not available</u>									
Town's covered payroll	\$ 3,088,438	\$ 3,144,219	\$ 2,985,700	\$ 2,808,231	\$ 2,640,045	\$ 2,956,224					
Contributions as a percentage of covered payroll	9.8%	8.6%	8.2%	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, 2019**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
Taxes				
Local property taxes				
Real property	\$ 4,006,930	\$ 4,006,930	\$ 4,149,303	\$ 142,373
Personal property	162,620	162,620	187,337	24,717
Railroads and public utilities	74,000	74,000	79,387	5,387
Penalties and interest	9,000	9,000	17,968	8,968
Income tax	1,428,050	1,428,050	1,677,669	249,619
Hotel/motel tax	70,000	70,000	77,710	7,710
Other local taxes	4,000	4,000	4,084	84
Total taxes	5,754,600	5,754,600	6,193,458	438,858
Licenses and permits				
Traders	25,000	25,000	24,622	(378)
Construction permits	156,000	156,000	251,676	95,676
Franchise	184,000	184,000	176,238	(7,762)
Other	-	-	6,961	6,961
Total licenses and permits	365,000	365,000	459,497	94,497
Intergovernmental				
State Police Aid	86,335	86,335	90,935	4,600
Highway	318,515	318,515	351,128	32,613
Other	-	-	2,064	2,064
Total intergovernmental	404,850	404,850	444,127	39,277
Service charges				
Rental inspection fees	45,000	45,000	60,625	15,625
Other	16,400	16,400	42,735	26,335
Total service charges	61,400	61,400	103,360	41,960
Fines and forfeitures	5,000	5,000	4,118	(882)
Miscellaneous				
Investment earnings	71,440	71,440	285,792	214,352
Miscellaneous	55,000	55,000	100,065	45,065
Rents and concessions	63,600	63,600	44,774	(18,826)
Sale of surplus assets	4,000	4,000	3,770	(230)
Total miscellaneous	194,040	194,040	434,401	240,361
Total revenues	\$ 6,784,890	\$ 6,784,890	\$ 7,638,961	\$ 854,071

See Independent Auditor's Report.

Town of La Plata, Maryland

**Detail Schedule of Expenditures - Budget and Actual - General Fund
Year Ended June 30, 2019**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
General government				
Legislative	\$ 298,560	\$ 266,560	\$ 256,892	\$ 9,668
Administration				
Salaries	366,940	366,940	348,345	18,595
Operating expenses	52,926	52,930	29,364	23,566
Capital outlay	2,000	2,000	564	1,436
	<u>421,866</u>	<u>421,870</u>	<u>378,273</u>	<u>43,597</u>
Financial administration				
Salaries	513,095	481,395	446,038	35,357
Operating expenses	60,850	60,850	71,037	(10,187)
Capital outlay	250	250	648	(398)
	<u>574,195</u>	<u>542,495</u>	<u>517,723</u>	<u>24,772</u>
Law				
Operating expenses	35,000	48,180	48,177	3
Planning and zoning				
Salaries	288,510	264,410	248,078	16,332
Operating expenses	237,960	237,960	122,889	115,071
Capital outlay	200	200	10,247	(10,047)
	<u>526,670</u>	<u>502,570</u>	<u>381,214</u>	<u>121,356</u>
Information technology				
Operating expenses	111,000	111,000	69,163	41,837
Capital outlay	15,500	15,500	9,768	5,732
	<u>126,500</u>	<u>126,500</u>	<u>78,931</u>	<u>47,569</u>
Other general government				
HR/personnel	25,200	25,200	15,895	9,305
Operating expenses	66,200	66,200	94,928	(28,728)
	<u>91,400</u>	<u>91,400</u>	<u>110,823</u>	<u>(19,423)</u>
Total general government	<u>2,074,191</u>	<u>1,999,575</u>	<u>1,772,033</u>	<u>227,542</u>

Town of La Plata, Maryland

**Detail Schedule of Expenditures - Budget and Actual - General Fund
Year Ended June 30, 2019**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
Public safety				
Police Department				
Salaries	2,178,550	2,143,849	2,079,550	64,299
Operating expenses	326,850	326,850	310,886	15,964
Capital outlay	312,615	345,430	318,121	27,309
	<u>2,818,015</u>	<u>2,816,129</u>	<u>2,708,557</u>	<u>107,572</u>
Emergency preparedness				
Operating expenses	9,500	14,210	14,208	2
Inspections and enforcement				
Salaries	104,610	104,610	94,677	9,933
Operating expenses	59,130	80,870	90,468	(9,598)
Capital outlay	-	-	-	-
	<u>163,740</u>	<u>185,480</u>	<u>185,145</u>	<u>335</u>
Total public safety	<u>2,991,255</u>	<u>3,015,819</u>	<u>2,907,910</u>	<u>107,909</u>
Public works				
Public works administration				
Salaries	502,420	502,420	514,024	(11,604)
Operating expenses	122,190	188,005	107,136	80,869
Capital outlay	-	104,785	108,232	(3,447)
	<u>624,610</u>	<u>795,210</u>	<u>729,392</u>	<u>65,818</u>
Maintenance operations				
Salaries	161,065	161,065	140,741	20,324
Operating expenses	339,850	354,250	349,407	4,843
Capital outlay	5,500	28,600	23,100	5,500
	<u>506,415</u>	<u>543,915</u>	<u>513,248</u>	<u>30,667</u>
Streets				
Salaries	110,030	110,030	99,427	10,603
Operating expenses	327,300	327,300	371,158	(43,858)
Capital outlay	480,500	620,022	528,627	91,395
	<u>917,830</u>	<u>1,057,352</u>	<u>999,212</u>	<u>58,140</u>
Total public works	<u>2,048,855</u>	<u>2,396,477</u>	<u>2,241,852</u>	<u>154,625</u>

Town of La Plata, Maryland

**Detail Schedule of Expenditures - Budget and Actual - General Fund
Year Ended June 30, 2019**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
Parks, recreation and culture				
Park maintenance and recreation				
Salaries	113,585	113,585	113,052	533
Operating expenses	94,810	94,810	79,024	15,786
Capital outlay	30,500	30,500	-	30,500
	<u>238,895</u>	<u>238,895</u>	<u>192,076</u>	<u>46,819</u>
Community promotion				
Salaries	88,990	88,990	85,944	3,046
Operating expenses	139,420	139,420	129,991	9,429
Capital outlay	-	-	45,861	(45,861)
	<u>228,410</u>	<u>228,410</u>	<u>261,796</u>	<u>(33,386)</u>
Total parks, recreation and culture	<u>467,305</u>	<u>467,305</u>	<u>453,872</u>	<u>13,433</u>
Debt service	<u>121,240</u>	<u>121,240</u>	<u>60,166</u>	<u>61,074</u>
Total expenditures	<u>\$ 7,702,846</u>	<u>\$ 8,000,416</u>	<u>\$ 7,435,833</u>	<u>\$ 564,583</u>

See Independent Auditor's Report.



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