

Town of La Plata, Maryland

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

June 30, 2017

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

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, 2017, 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, 2017, 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 - 21 and the schedules of the Town's proportionate share of the net pension liability and pension plan contributions on pages 58 - 59 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 January 29, 2018, 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
January 29, 2018

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2017

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, 2017. 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 \$48,260,081 (net position). Of this amount, \$13,853,056 (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 \$746,545 in FY17. This is the result of a \$489,450 increase associated with governmental activities and a \$257,095 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 \$11,192,727, an increase of \$473,352 from the prior year, and the fund balance in the Town's Nonmajor Governmental Funds decreased from \$15,500 to zero.

The net position of the Town's business-type activities (Water and Sewer Fund, Sanitation Fund, Nonmajor Proprietary Fund) increased by \$257,095 to \$27,142,971 in FY17.

Overall, the Town's total long-term obligations, which include the Town's net pension liability amounts, decreased by approximately \$468,336 in FY17. The General Fund obligations increased by approximately \$173,928 while the Enterprise Fund debt decreased by approximately \$642,264.

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, 2017

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 Utility Fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2017

Government-wide Financial Analysis

As noted earlier, net position serves over time as a useful indicator of a government's financial position over time. The Town's combined assets exceeded liabilities by \$48,260,081 at the close of the most recent fiscal year.

Of the Town's net position, \$32,923,225 or 68.22 percent is invested in capital assets (e.g., land, buildings, improvements other than buildings, vehicles and mobile equipment, other equipment, infrastructure, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Town	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 11,555,015	\$ 11,102,182	\$ 7,310,548	\$ 6,657,606	\$ 18,865,563	\$ 17,759,788
Capital assets, net	12,201,047	12,187,083	27,499,198	28,679,356	39,700,245	40,866,439
Total assets	23,756,062	23,289,265	34,809,746	35,336,962	58,565,808	58,626,227
Deferred outflows of resources	725,501	556,413	149,486	110,459	874,987	666,872
Liabilities:						
Long-term liabilities	2,833,068	2,659,140	7,407,836	8,050,100	10,240,904	10,709,240
Other liabilities	367,223	365,142	384,507	480,699	751,730	845,841
Total liabilities	3,200,291	3,024,282	7,792,343	8,530,799	10,992,634	11,555,081
Deferred outflows of resources	164,162	193,736	23,918	30,746	188,080	224,482
Net position:						
Invested in capital assets, net of related debt	12,189,047	12,173,083	20,734,178	21,214,509	32,923,225	33,387,592
Restricted	-	-	1,483,800	1,553,221	1,483,800	1,553,221
Unrestricted	8,928,063	8,454,577	4,924,993	4,118,146	13,853,056	12,572,723
Total net position	\$ 21,117,110	\$ 20,627,660	\$ 27,142,971	\$ 26,885,876	\$ 48,260,081	\$ 47,513,536

Governmental activities. The Town's net position increased by \$489,450 as a result of governmental activities in FY17. This represents approximately 65.56 percent of the total change in net position for FY17.

Overall governmental activity revenue decreased by approximately \$219,236 or 2.90 percent in FY17 compared to FY16. The decrease was primarily attributable to the fact that the Town did not receive the \$237,000 in special taxes that were due from the Heritage Green Special Tax District in FY17. There were increases in five of the ten revenue categories and decreases in the other five. The largest dollar increases were in Capital Grants, Miscellaneous revenues and Income taxes. These increased \$148,752 (360.66%), \$62,270 (52.07%) and \$35,082 (2.27%), respectively. There were also small increases in Hotel/Motel taxes (\$9,126/13.03%) and Investment Earning revenues (\$4,612/22.07%).

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2017

INCREASES

Capital Grants and Contribution revenues showed the largest dollar increase. The increase was \$148,752 or 360.66 percent. The amount of grant funding available for capital projects varies from year to year, often significantly. The revenues the Town receives each year depends on the number and size of capital grants the Town applies for and is awarded in that year. The FY17 increase is attributable to the fact that the Town received and expended three Maryland Department of Natural Resources grants in FY17 compared with only one in FY16. All three grants were Program Open Space/Community Parks and Playgrounds Program grants from the Maryland Department of Natural Resources and were for capital improvement projects in Tilghman Lake Park. The Town received a total of one hundred ninety thousand dollars (\$190,000): twenty thousand dollars (\$20,000) for installation of exercise stations along the walking path around the lake; seventy thousand dollars (\$70,000) for a floating dock, and; one hundred thousand dollars (\$100,000) for the dredging of the lake and rehabilitation of the shoreline.

Miscellaneous revenues showed the second largest year-to-year increase. They increased by \$62,270/52.07% from FY16 to FY17. Included in this revenue category are items like rents, insurance reimbursements, proceeds from the sale of assets and contributions & donations. The FY17 increase is attributable to large increases in insurance reimbursements (\$34,658) and an increase in the proceeds from the sale of assets (\$24,924). The higher insurance reimbursement amount was the result of the Local Government Insurance Trust reimbursing the Town the full cost of a recently acquired police vehicle that was totaled in FY17 (the funds were used to purchase a replacement vehicle). The increase in proceeds from the sale of assets was attributable to the fact that the Town surplused seven significant assets (a dump truck, two pick-up trucks, three police vehicles and a backhoe) in FY17 but none in FY16.

The amount of Income Tax revenue the Town receives annually is a function of the general economic conditions and the earnings of Town residents and businesses. The Town has no ability to control the amount of Income Tax revenue it receives each year. The State sets the rates and collects the tax for all the jurisdictions in the State and then remits it to the respective local jurisdictions based on where the filers reside and/or the businesses are located. The \$35,082/2.27% FY17 increase is indicative of improving economic conditions and higher earnings for the Town's residents and businesses.

Hotel/Motel tax revenues increased by \$9,126 or 13.03 percent in FY17 compared to FY16. FY16 was the first year this tax was levied. The tax is 2% of the hotel room rental rate so the increase means there were an increased number of hotel room rentals and/or higher rates charged for hotel room rentals in FY17. Given that FY17 was only the second year for this tax, there is not enough historical data available to reliably determine what the annual revenue should be from this tax.

Investment Earnings increased \$4,612/22.07% from FY16 to FY17. This reflects a slight improvement in the interest rate environment in FY17 relative to FY16.

DECREASES

The increases in revenues described previously, were more than offset by decreases in the other five revenue categories. The largest dollar decreases were in Property Taxes, Charges for Services, Operating Grants, and Transfers. These decreased \$210,848 (5.05%), \$137,858 (37.25%), \$71,622 (15.12%) and \$43,516 (7.99%), respectively. There was also a small decrease in Franchise Fee revenues (\$15,234/7.64%).

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2017

Property Taxes are the Town's primary source of governmental activity revenue. In FY17, they accounted for almost 54 percent of the Town's governmental activity revenue and over 30 percent of the Town's total revenues. There are three distinct types of property taxes that the Town levies and collects: Real Property, Business Personal Property and Public Utility. All three of the property tax programs operate under the auspices of the Maryland Department of Assessments and Taxation (SDAT). SDAT conducts all the property assessments and administer the programs state-wide. Local jurisdictions each set their own rates for each type of tax and the amount due is calculated using the state assessment values and the local rate. The local jurisdictions are responsible for collecting their own taxes.

Real Property taxes are levied based on the assessed value of real estate/land and any permanent improvements thereon. The State does assessments on a rolling three-year schedule. The FY17 Real Property tax calculations for the majority of Town properties were based on the property valuations established by assessments done in the Fall of 2014. FY17 was the second of three years in which the Fall 2014 assessments were used as the basis for the tax calculation. The amount of Real Property tax revenue received in FY17, including penalties and interest, was \$3,681,095. This is 92.77 percent of the property tax revenue received during the year and 28.3 percent of the total revenue received from all sources during the year. It was \$211,152 or 5.42 percent less than in FY16 due entirely to the fact that Heritage Green didn't pay the \$237,000 in special taxes they were assessed in FY17. If the Heritage Green Special Tax District had paid their taxes, Real Property tax revenues would have increased by \$25,848 or 0.66 percent compared to FY16. The reason this increase would have been so small is because the rate of real property appreciation has been very low since the 2008 recession. Without significant new development and/or an acceleration in the pace of property appreciation, these revenues will continue to grow slowly.

Business Personal Property taxes are levied on the assessed value of personal property (furniture, fixtures, equipment, etc.) owned and used by Town based businesses. The assessments are based on values reported to the State, by the businesses themselves, on their annual Maryland Business Personal Property tax returns. Business Personal Property tax revenues for FY17 were \$205,006 and comprised 5.17 percent of the of the property tax revenue received in FY17. The FY17 amount was \$4,593/2.19% lower than what was received in FY16. This is reasonable given that there was no significant influx of new business investment in FY17 and the assessments on existing business property decrease over time as the property ages and depreciates in value.

Public utility companies and railroads are taxed differently than other businesses. They are assessed using the unit method of valuation which considers both the value of their real and personal property in the calculation of the taxes due. Public utility tax revenues increased \$5,039/7.00% from \$71,992 in FY16 to \$77,031 in FY17. These comprise approximately 1.94% of the FY17 property taxes revenues.

The \$137,858 decrease in Charges for Service revenues was the net result of two factors. There was a significant (\$182,071) decrease in Permit Fee revenue in FY17 and a notable increase (\$44,007) in Rental Inspection revenues. The decrease in Permit Fee revenue reflects the fact that development activity within the Town slowed significantly in FY17. Rental Inspection revenues were higher in FY17 relative to FY16 because there were staffing vacancies in FY16 that caused the rental inspection program to fall behind. These were resolved in FY17, allowing the backlog of inspections to be cleared and this increased the amount of revenue recognized.

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2017

Operating Grant and Contribution revenues showed the next largest dollar decrease. The decrease was \$71,622 or 15.12 percent. It is primarily attributable to the fact that the Town received a \$67,527 FEMA grant in FY16, to help defray the costs of cleaning up after a major winter storm, and there was no similar grant in FY17. The amounts of Highway User Revenue ("HUR") and State Aid for Police Protection ("SAPP") funding the Town received from the State in FY17 were also slightly less than in FY16. HUR funding was roughly \$2,800 lower and SAPP funding was about \$161 lower. The amount the Town received for other assorted federal and state grants was \$7,738 less in FY17 than in FY16. These decreases were offset slightly by the reimbursement of approximately \$6,592 by the District of Columbia for costs incurred by the Town's police department, assisting with the 2017 US Presidential Inauguration activities.

The Transfers amount is the net of the transfers into the General Fund from the Enterprise/business-type activity funds and vice versa. Transfers are generally made from the Enterprise funds to the General Fund to cover costs that are recorded in the General Fund but which are related to the operation of the Enterprise funds. These include costs associated with utility billing and collections, fleet maintenance and other general administrative activities. These are calculated annually based on budgeted general fund costs and increase as the underlying costs increase from year to year. The transfers out of the General Fund to the Enterprise funds, are generally for specific purposes, such as to fund the Heritage Green Special Tax District's portion of the Willow Lane Pump Station debt and mosquito spraying. In certain instances, transfers may be made for specific one-time events or projects. In FY16 there was a one-time transfer from the business-type activity funds to the General Fund of \$63,000. It was to cover a portion of the costs of a public works facility assessment (\$30,000) and a portion of the costs of the acquisition and implementation of a facilities maintenance management system (\$33,000). There was no similar transfer in FY17 and this was the primary reason for the decrease in transfers from FY16 to FY17. The absence of the transfer was partly offset by slight increases in the transfers from the Enterprise funds to the General Fund to cover administrative costs.

There was also a small decrease (\$15,234/7.64%) in the amount of Franchise Fee revenue the Town received in FY17 compared to FY16. These are fees collected from Washington Gas, Verizon and Comcast in accordance with the terms of the negotiated franchise agreements the Town has with each of them. Washington Gas pays a set amount each year while Verizon's and Comcast's fees are calculated based on the revenue they earn from their accounts in the Town. The reduction reflects a reduction in their revenues.

Governmental activities. 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 and 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.

In FY17 governmental activity expenses increased by approximately \$828,507 or 13.74% in total. There were increases in all the expenditure categories except interest on long term debt.

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2017

The general government category includes the legislative, elections, administration/general services, legal, human resources, finance, information technology and planning function/departments. In FY17 general government expenditures increased \$81,810 or 4.73 percent compared to FY16. Approximately \$80,909 of the increase was related to "government-wide reporting" adjustment items rather than actual changes in cash expenses.

- There was a \$97,702 increase in pension expense in the general government categories in FY17. The Town participates in the Maryland State Retirement and Pension System ("the System"). The System is a cost sharing, multi-employer defined benefit pension plan. Participants in the System are required to report their proportionate share of the System's unfunded liability each year. The pension expense number is calculated annually and is the Town's proportionate share of the net of the Maryland State Retirement and Pension System's the system's deferred inflows and deferred outflows for the year. It varies depending on how actual investment earnings compared to projected earnings and changes in plan assumptions. The Town has no control over these expenses.
- In FY17, the net capital asset expenses (cost of new assets adjusted by the net book value of assets disposed of during the year), in all the general government categories, were \$49,230 or \$13,142 less than in FY16. For government-wide reporting purposes, the net amount expensed each year for capital assets in the governmental funds is removed from expense and reported as an asset on the government-wide statements. While it is counterintuitive, an increase in capital asset expenses in the governmental funds ultimately translates into a decrease in governmental activities expenses on the government-wide statements and vice-versa. Thus the \$13,142 decrease is reflected on the government-wide statements as an increase in expenses from FY16 to FY17.
- Depreciation is only reported for government activities in the government-wide statements. The amount of depreciation recorded in FY17 for the general government categories was \$1,065 more than it was in FY16. This increase corresponds to the increased value of the assets in the general government category in FY17.
- At the end of each year, an analysis of employee leave is performed to estimate the potential liability the Town has for unused leave. The estimated liability is compared to what was recorded at the end of the previous year and an adjustment is be made for the difference. If the liability has decreased, the adjustment lowers it and payroll expenses correspondingly. If the liability is higher, the adjustment increases the liability and payroll expense correspondingly. At the end of FY16, the adjustment for general government categories increased the liability and payroll expenses by \$22,020. At the end of FY17, the adjustment decreased the liability and payroll expenses by \$8,980. The difference between these two is \$31,000 and is reflected as a decrease in expenses in FY17.

In addition to the "government-wide reporting" item differences noted above, there were also differences in actual cash expenses that are worthy of note. A brief overview of these is provided in the following paragraphs, on a departmental basis.

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2017

Legislative expenses were \$4,354 greater in FY17 than in FY16. The Town has been conducting a Citizen Survey every two years. The survey was conducted in FY17 but not in FY16 and this resulted in an increase in expenses of \$13,860. These increased expenditures were partially offset by lower capital expenses in FY17. In FY16 the Town made a one-time acquisition of a movable file system for the storage of Town records in the clerk's office and made several computer equipment purchases that were not repeated in FY17.

FY17 was an election year. The Town spent approximately \$7,018 on the election and there were no comparable costs in FY16 so this total amount was an increase.

Administrative and general services expenditures were \$28,870 greater in FY17 than in FY16. The increase was directly attributable to the costs of the upgrades to the audio system in the Council Chambers, the acquisition of a new copier and higher bad debt expense associated with the write-off of one large uncollectible personal property tax bill (Bolton).

The finance departments expense went down by approximately \$4,486 from FY16 to FY17. This was primarily attributable to audit costs being \$6,025 more in FY16 than they were in FY17. Costs were higher in FY16 because it was the year that GASB's 67 & 68 were implemented and that required additional work by the auditors. This reduction was partially offset by increased costs incurred by staff participating in more training and professional development activities in FY17 compared to FY16.

Legal expenses decreased by \$9,597 in FY17. The Town was involved in two lawsuits in FY16 that drove up legal costs that year. There were no major legal issues in FY17 so costs were down resulting in the noted decrease.

There was a \$1,729 increase in expenditures for human resources in FY17. It was primarily the result of the cost of the portraits for the new Council members and Town staff.

Planning department expenses decreased by \$17,462 in FY17. This was primarily attributable to the fact that there were significant one-time amounts spent in FY16 in association with the acquisition and implementation Energov building project management system that did not recur in FY17.

FY17 expenses on information technology were \$9,525 less than they were in FY16. Expenses for general IT support and computer hardware were both up in FY17 but there were large decreases in the amounts spent for GIS support and hardware for the Town's downtown wifi system. The increases netted with the decreases resulted in the overall change.

The public safety category includes the police department, inspections & enforcement and emergency preparedness. Public safety expenses increased by \$69,802 or 3.10 percent in FY17. This is the net of "government-wide reporting" adjustments which reduced expenses by \$116,343 and increases in cash expenses of \$186,145. The changes attributable to the "government-wide reporting" adjustments are summarized below.

- There was a \$42,205 increase in pension expense in the public safety categories in FY17. For more detail on this, please see the explanation of this on page 9.
- In FY17, the net capital asset expenses (cost of new assets adjusted by the net book value of assets disposed of during the year), in all the public safety categories, were \$265,563 or \$150,717 more than in FY16. For government-wide reporting purposes, the net amount expensed each year for capital assets in the governmental funds is removed from expense and

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplementary Information June 30, 2017

reported as an asset on the government-wide statements. While it is counterintuitive, an increase in capital asset expenses in the governmental funds ultimately translates into a decrease in governmental activities expenses on the government-wide statements and vice-versa. Thus the \$150,717 increase is reflected on the government-wide statements as a decrease in expenses from FY16 to FY17.

- Depreciation is only reported for government activities in the government-wide statements. The amount of depreciation recorded in FY17 for the public safety categories was \$18,428 more than it was in FY16. This increase corresponds to the increased value of the assets in the public safety category in FY17.
- At the end of each year, an analysis of employee leave is performed to estimate the potential liability the Town has for unused leave. The estimated liability is compared to what was recorded at the end of the previous year and an adjustment is made for the difference. If the liability has decreased, the adjustment lowers it and payroll expenses correspondingly. If the liability is higher, the adjustment increases it and payroll expense correspondingly. At the end of FY16, the adjustment for the public safety categories increased the liability and payroll expenses by \$34,129. At the end of FY17, the adjustment increased the liability and payroll expenses by only \$8,070. The difference between these two is \$26,059 and is reflected as a decrease in expenses in FY17.

In addition to the "government-wide reporting" item differences noted above, there were also differences in actual cash expenses in the public safety categories that are worthy of note. A brief overview of these is provided in the following paragraphs.

Police department expenses increased \$213,608 or 10.85 percent. Almost 61 percent (\$130,242) of the increase was attributable to the department spending more on capital assets (vehicles, communications equipment, cameras and computers) in FY17 than in FY16. Salary and fringe costs also increased by \$30,507 and \$22,456, respectively. Overtime salary expenses actually decreased by \$49,093 but this decrease was more than off-set by a \$76,407 increase in regular salaries resulting from COLA and merit increases, promotions, and other staffing changes. The fringe benefit increases are directly related to the increased salaries. There were also increases in the amounts spent for supplies (\$16,029 - uniforms, police supplies and gasoline), other expenses (\$8,524 - grants and hospitality/recognition) and contracted services (\$5,849 - legal fees and maintenance & repair of vehicles).

The expenses in Inspections and Enforcement decreased by \$27,452 or 12.69 percent, in FY17. There was a substantial decrease of \$35,115 or 51.67% in expenses for contracted services. This was almost entirely due to the decrease in the amount spent for contracted inspection services as a result of the slowdown in the level of development activity that took place in Town in FY17 compared to FY16. There was also \$17,468 decrease in salary expenses as a result of there being a staffing vacancy in the department for several months during the year. These reductions were partially offset by an increase in capital expenses associated with the acquisition of a new truck.

Emergency preparedness is where the costs of maintaining and operating the Town's sirens are recorded. There was no significant change in these expenses between FY16 and FY17.

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The governmental activity public works category includes public works administration, facilities operations and maintenance, fleet maintenance and streets. Overall, governmental activity public works expenses increased by \$597,236 or 36.45 percent, from \$1,638,838 in FY16 to \$2,236,164 in FY17. The majority of the FY17 increase (\$301,310/50.44%) was attributable to "government-wide reporting" adjustments.

- There was a \$18,795 increase in pension expense in the public works categories in FY17. For more detail on this, please see the explanation of this on page 9.
- In FY17, the net capital asset expenses (cost of new assets adjusted by the net book value of assets disposed of during the year), in all the general government public works categories, were \$77,240 or \$272,613 less than in FY16. For government-wide reporting purposes, the net amount expensed each year for capital assets in the governmental funds is removed from expense and reported as an asset on the government-wide statements. While it is counterintuitive, an increase in capital asset expenses in the governmental funds ultimately translates into a decrease in governmental activities expenses on the government-wide statements and vice-versa. Thus the \$272,613 decrease is reflected on the government-wide statements as an increase in expenses from FY16 to FY17.
- Depreciation is only reported for government activities in the government-wide statements. The amount of depreciation recorded in FY17 for the public works categories was \$17,155 more than it was in FY16. This increase corresponds to the increased value of the assets in the general government public works categories in FY17.
- At the end of each year, an analysis of employee leave is performed to estimate the potential liability the Town has for unused leave. The estimated liability is compared to what was recorded at the end of the previous year and an adjustment is made for the difference. If the liability has decreased, the adjustment lowers it and payroll expenses correspondingly. If the liability is higher, the adjustment increases it and payroll expense correspondingly. At the end of FY16, the general government adjustment increased the liability and payroll expenses by \$1,469. At the end of FY17, the general government adjustment decreased the liability and payroll expenses by \$5,784. The difference between these two is \$7,253 and is reflected as a decrease in expenses in FY17.

The amount expensed for public works administration in FY17 was \$51,188 or 8.2 percent less than in FY16. The amounts spent on IT support and computer software were down \$36,772 and \$18,275, respectively. This is because there were one-time costs for these items in FY16 associated with the acquisition and implementation of the Energov property management and maintenance system. These decreases were partially offset by increased expenditures on other contracted services and increased salary expenses in FY17.

Facility operations and maintenance costs were \$85,859 or 25.93 percent higher in FY17 than they were in FY16. Most of the increase was attributable to the expenses incurred for the Wills Park Community building bathroom addition. A small portion of the project costs were recorded in FY16 but the majority were recorded in FY17. There were also costs associated with repairs that were made to the rental property the Town owns at 302 Queen Anne Street that contributed to the increase.

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Fleet maintenance expenses were \$149,255 in FY17 compared to \$83,678 in FY16. This was an increase of \$65,577 or 78.37%. Higher salary and fringe benefit costs accounted for \$55,353 or 84.41 percent of the total increase. These higher costs reflect a change in the allocation of an employee's salary in FY17. There were also small increases in the amounts spent on supplies (\$7,115) and contracted services (\$3,041).

The largest year-to-year difference in expenses within the public works category was in Streets. The FY17 expenses were \$864,896 compared with \$669,128 in FY16. This is a difference of \$195,768 or 29.26 percent. The increase was attributable to increased spending on street repaving, contracted services and the acquisition of replacement vehicles and equipment. This is a bit misleading because significant amounts were spent on the rehabilitation of Oak Avenue in FY16 but a large portion of those expenses were recorded in storm water instead of roads. There were also small increases in amounts spent on supplies and on fringe benefits. These were partially offset by decreases in the salary expenses.

The final governmental activity is comprised of parks and community promotion. Overall the expenses in these categories increased \$113,048 or 31.68 percent in FY17. The government-wide adjustments reduced expenses in these categories by \$119,812.

- There was a \$4,354 increase in pension expense in the parks/community promotion categories in FY17. For more detail on this, please see the explanation of this on page 9.
- In FY17, the net capital asset expenses (cost of new assets adjusted by the net book value of assets disposed of during the year), in all the parks/community promotion categories, were \$241,242 or \$131,815 more than in FY16. For government-wide reporting purposes, the net amount expensed each year for capital assets in the governmental funds is removed from expense and reported as an asset on the government-wide statements. While it is counterintuitive, an increase in capital asset expenses in the governmental funds ultimately translates into a decrease in governmental activities expenses on the government-wide statements and vice-versa. Thus the \$131,815 increase is reflected on the government-wide statements as a decrease in expenses from FY16 to FY17.
- Depreciation is only reported for government activities in the government-wide statements. The amount of depreciation recorded in FY17 for the parks/community promotion categories was \$7,867 more than it was in FY16. This corresponds to the increase in the value of the assets in the parks/community promotion categories in FY17.
- At the end of each year, an analysis of employee leave is performed to estimate the potential liability the Town has for unused leave. The estimated liability is compared to what was recorded at the end of the previous year and an adjustment is made for the difference. If the liability has decreased, the adjustment lowers it and payroll expenses correspondingly. If the liability it is higher, the adjustment increases it and payroll expense correspondingly. At the end of FY16, the general government adjustment increased the liability and payroll expenses by \$421. At the end of FY17, the general government adjustment increased the liability and payroll expenses by \$203. The difference between these two is \$218 and is reflected as a decrease in payroll expenses in FY17.

The amount of expense recorded in FY17 in Parks was \$184,450 or 86.80 percent more than in FY16. The grant funded improvements at Tilghman Lake were the primary reason for the significant increase. There were approximately \$48,055 capital expenses booked in FY16 in association with the

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construction of the hiker/biker trail connecting Kings Grant to Tilghman Lake compared to \$190,000 in FY17 for the improvements at Tilghman Lake (exercise stations, clean-up of shoreline & dredging of lake and floating dock). There was also more spent on capital equipment, contracted services and supplies in FY17 than in FY16.

Community promotion expenses increased from \$206,659 to \$255,069 or \$48,410/23.43 % in FY17. Almost the entire increase was attributable to higher contracted service expenses in Beautification. There was \$20,000 in expense associated with the acquisition and installation of the Tornado/Star sculpture and \$20,000 for landscape maintenance services at Town Hall. Smaller increases in Beautification supplies and Community promotion salaries, fringe benefits and supplies accounted for the rest of the increase.

Interest on long-term debt expenses decreased \$33,478 or 67.16 percent in FY17. This was the result of the Town paying off a Maryland Department of Housing and Community Development loan in its entirety in FY16 which eliminated future interest payments.

Business-type activities. The change in net position attributable to business-type activities was an increase of \$257,095 or 34.44 percent of the total change in the Town's net position in FY17. There were increases in Net Position in all three of the business-type activity funds. The increases were – Water & Sewer Fund - \$7,981, Sanitation - \$118,518 and Non-major Proprietary Fund ("Storm Water Management Fund"). - \$130,596.

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Town	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 232,229	\$ 370,087	\$ 6,089,665	\$ 5,830,628	\$ 6,321,894	\$ 6,200,715
Operating grants and contributions	402,108	473,730	45,000	37,500	447,108	511,230
Capital grants and contributions	189,996	41,244	-	-	189,996	41,244
General revenues:						
Taxes						
Property	3,967,884	4,178,732	-	-	3,967,884	4,178,732
Income	1,583,620	1,548,538	-	-	1,583,620	1,548,538
Hotel/motel	79,171	70,045	-	-	79,171	70,045
Franchise fees	184,261	199,495	-	-	184,261	199,495
Investment earnings	25,512	20,900	8,313	6,580	33,825	27,480
Miscellaneous	181,855	119,585	-	-	181,855	119,585
Transfers	501,069	544,585	(501,069)	(544,585)	-	-
Total revenues	7,347,705	7,566,941	5,641,909	5,330,123	12,989,614	12,897,064
Expenses:						
General government	1,812,477	1,730,667	-	-	1,812,477	1,730,667
Public safety	2,323,358	2,253,556	-	-	2,323,358	2,253,556
Public works	2,236,164	1,638,838	-	-	2,236,164	1,638,838
Recreation	469,886	356,838	-	-	469,886	356,838
Water and sewer service	-	-	4,301,012	4,308,356	4,301,012	4,308,356
Sanitation and waste removal	-	-	854,670	882,746	854,670	882,746
Storm water management	-	-	229,132	213,492	229,132	213,492
Interest on long-term debt	16,370	49,848	-	-	16,370	49,848
Total expenses	6,858,255	6,029,747	5,384,814	5,404,594	12,243,069	11,434,341
Change in net position	489,450	1,537,194	257,095	(74,471)	746,545	\$ 1,462,723
Net position - beginning of year	20,627,660	19,090,466	26,885,876	26,960,347	47,513,536	46,050,813
Net position - end of year	\$ 21,117,110	\$ 20,627,660	\$ 27,142,971	\$ 26,885,876	\$ 48,260,081	\$ 47,513,536

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Financial Analysis of the Town's Funds

The Town of La Plata remains strong financially. The Town Treasurer continues to remain conservative in his approach to budgeting and investing. Real property taxes remain the major source of revenue for the Town and aren't growing at the same rate as the Town's expenses are. Property values have remained stagnant since the 2008 recession and after a year of increased development activity in FY16, the pace of new development slowed down significantly in FY17. While this is not a problem currently, if this condition persists for an extended period it could become an issue. 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.

Construction activity in the Town declined in FY17. The number of permits issued for new residential construction decreased 55% from fifty-eight in FY16 to twenty-six in FY17 and the total estimated value of the residential projects permitted decreased by 62% from \$9,919,000 in FY16 to \$3,715,000 in FY17. There were two permits issued for new commercial buildings in FY17. They have an estimated value of \$1,500,000 and generated \$7,842 in revenue in FY17. In FY16 there were five permits issued for new commercial buildings that had an estimated value of \$7,262,742 and generated \$43,120 in revenue. There were 4 commercial fit-out projects permitted in FY17 or twenty-four less than in FY16. The average value of the work per permit decreased 86%, from \$220,834 in FY16 to \$31,249 in FY17.

The Water and Sewer Fund is an enterprise fund where the costs of operation are shared proportionally by the users. As with most municipalities throughout the United States, the Water and Sewer Fund will likely have challenges in the coming years due to aging infrastructure. The Town retained the tiered water and sewer rate structure, which was initiated in FY08, in FY17. The Town continues to assess major facility fees on all new development. These fees are designed to cover the costs of infrastructure improvements required to accommodate the demands placed on the Town's infrastructure by the new development. Ideally, the amount of major facility fee revenue received annually will cover the annual debt service costs of the business-type activity funds but, as has been the case the last several years, the amount collected in FY17 was less than the debt service costs. There is still a sizable reserve in the major facility fee fund but it will only cover existing debt service costs for about three more years, if there is no new development.

Budget Highlights

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

Ordinance 17-07 was adopted in June of 2017. It provided for the appropriation of: \$237,537 in grant funding the Town received in FY17, which wasn't appropriated in the original Town and the realignment of \$131,000 in appropriations to align them with expenditures.

Ordinance 17-12 was adopted in October of 2017. It provided for realignment of \$12,820 in appropriations to align them with expenditures.

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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 FY17, there were favorable variances overall for both revenues and expenditures. On the revenue side, there was a total favorable variance of \$585,077 or approximately 9.65 percent and there was a total favorable variance of \$333,946 or 4.76 percent in expenditures. The significant variances between the budgeted and actual amounts in FY17 (category >10% of total and individual subcategory variance > 10% or department variance >5% of total) are described below.

Revenues

Seventy-nine percent of the total favorable variance in revenues was attributable to local tax revenues. The favorable variance for this revenue category was \$459,615 or 8.9 percent. 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 can't readily be anticipated, so there are typically small favorable variances in tax revenues. The FY17 variances in Business Personal Property, Income, and Hotel/Motel tax revenues were all significant.

Income tax revenues exceeded the amount budgeted by \$472,625 or 43.13 percent. 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 \$160,540 of the variance was the result of the Town receiving a one-time payment from the State for income taxes that it should have received in prior years but didn't because the revenues were misallocated by the State. This was the result of an audit of the State income tax billing and collections program.

Personal Property tax revenues were \$43,889 or 27.34 percent greater than the amount budgeted. These revenues have steadily been decreasing over the last five years 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 this trend, the amount budgeted for FY17 was ninety-six percent of the average revenue received over the preceding five years. Based on the actual revenue received there was clearly a significant increase in the amount investment in business personal property in FY16/17 that was unanticipated.

There was a significant favorable variance in the amount of hotel/motel tax revenue the Town received in FY17 relative to the amount that was budgeted. The variance was \$39,171 or 98%. FY17 was the second year for the Town's hotel/motel tax and, as such, there was only one year of data and collections for use in projecting the FY17 revenues, so the amount budgeted was very conservative. With two years of experience, there is a much better idea of what the annual revenues will be and the amounts budgeted will be increased accordingly.

From a percentage perspective, there was a significant favorable variance in Admissions & Amusement Tax revenues. The amount received was only \$1,750 greater than the amount budgeted and because of the amount budgeted to start with was only \$3,000, this represented a 58.40 percent favorable variance. These are amounts received for coin-operated games, party/event equipment rentals, etc. and can vary significantly from year to year and are hard to estimate.

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The favorable variances noted above were partially off-set by a \$123,539 unfavorable variance in the amount of real property tax revenue the Town received. This was due entirely to the failure of the Heritage Green Special Tax District to pay their special taxes.

Favorable variances in the Miscellaneous revenue category totaled \$86,145 (77.50%) and accounted for 15% 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 & donations, insurance reimbursements, etc.). Except for rents, these amounts are totally dependent on the particular events occur in a given year and are hard to estimate and are therefore budgeted conservatively. Revenues from investment earnings, proceeds from the sale of assets, contributions & donations and insurance reimbursements were all significantly higher than they have been historically and was budgeted for in FY17.

Interest earnings have been low for several as a result of the low interest rate environment that started with the 2007 business slowdown and has remained in place for the last several years. The amount budgeted was only \$6,000 based on recent history but the interest rate environment started improving in FY17 and the Town reallocated some of its investments and this resulted in significantly higher revenues than expected. They were \$19,512 or 325.20% higher than the budget.

The amount the Town received for the sale of assets was significantly greater than the amount budgeted as well. This resulted in a favorable variance of \$17,223 or 198.88 percent. Again, these revenues are budgeted based on recent history and the amount actually received varies significantly based on the number and quality of the assets declared surplus and sold in a given year. The number and quality of assets sold in FY17 were higher than normal.

There were two items with in the Other subcategory of Miscellaneous revenues where there were significant favorable variances. These were insurance reimbursements and contributions & donations.

The Town doesn't budget anything for insurance reimbursements because there is no way to know what these might be in advance and because 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 revenues and, for the purposes of budget to actual analysis, they will appear as favorable variances. In FY17, Town received the full replacement value (\$37,887) for a police vehicle that was totaled during the year. From a budget to actual perspective, this total amount represents a favorable variance but because the proceeds were immediately reinvested in a replacement vehicle, 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 & 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 & donation revenue, it is booked as revenue and, for the purposes of budget to actual analysis, it will appear as favorable variance. In FY17, there were several development

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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 \$16,680 and this from a budget to actual perspective, represents a favorable variance.

Expenditures

Thirty-three percent or \$110,310 of the total favorable expenditure variance of \$333,946 was attributable to the general government departments. The department with the largest variance was Information Technology, which had a favorable variance of \$55,278 or 32.14%. This was because license/user fee expenditures were lower than expected and there was money in the budget for contracted IT services for a Sharepoint implementation and support of the Town wifi network that was not used. There were also large favorable dollar variances in Administration (\$21,143/5.57%) and Financial Administration (\$23,450/4.43%) that contributed to the overall favorable variance for the general government departments. These were the result of lower than expected benefit and contracted services costs in Administration and lower than expected benefit costs in Financial Administration.

The public safety departments accounted for \$30,347 or 9.09% of the overall favorable expenditure variance. From a percentage perspective, emergency preparedness (emergency siren maintenance & upkeep) had the largest variance (18.57%) while the police department had the largest dollar variance (\$24,170). The emergency preparedness variance was only \$1,970 but was such a high percentage because the budgeted amount was relatively small. The variance was the result of the annual siren maintenance and testing costs being lower than expected. The police department variance was only 1.10%, even though the dollar amount was relatively large, because the budgeted amount for the department was so large. The variance was the result of lower than expected fringe benefit costs which were partially offset by higher than expected salary and contracted service costs.

The public works departments were responsible for \$152,291 or 45.60 percent of the total favorable expense variance. The public works administration department had a favorable variance of \$28,914 or 4.80 percent while the streets department had a favorable variance of \$116,029 or 11.83%. The public works administration variance was primarily the result of the funds that were budgeted for a public works facility analysis not being expended. The street variance was primarily the result of the Town not spending all the funds budgeted for road maintenance and rehabilitation and the ongoing sidewalk extension program.

There was also a favorable expenditure variance in debt services. The variance was \$38,804 or 23.63 percent and accounted for 11.62 percent of the total favorable expenditure variance. This was the result of there being funds budgeted in FY17 for debt service on a loan that was paid off early, in FY16.

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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, 2016, was \$40,866,439 (net of accumulated depreciation) and decreased by \$1,166,194 to \$39,700,245 as of June 30, 2017. 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 increased \$13,964 in FY17. The Town made \$731,098 of capital investments in governmental activities in FY17. These included the addition of bathrooms to the Wills Park Community building (\$175,489), 4 new police vehicles (\$146,726), partial allocations of new public works vehicles and equipment (\$103,605), site improvements (exercise stations & floating dock) at Tilghman Lake (\$95,104); new police radios (\$47,814), new building project management software (\$42,855); new police cameras (\$40,212), a new truck for inspections and enforcement (\$25,808), the Tornado/Star sculpture (\$20,000), new audio system for Council chambers (\$18,804), two new copiers (\$10,052) and expenditures on a couple of smaller acquisitions/projects. These investments were largely offset by the annual depreciation expenditures.

The net value of the assets held in the Town's business activity funds decreased by \$1,180,158 in FY17. This is the net of new investments, the annual depreciation expenses and disposal of assets. The new capital investment expense in FY17 was \$499,063 while the annual depreciation expense was \$1,652,060. The new investments primarily consisted of the partial allocation of the costs of new public works vehicles and equipment (\$212,585), amounts spent on infrastructure projects (southwest quadrant sewer line, town hall drainage, WWTP EQ tank) that are still in progress (\$245,695) and small investments in a couple of other projects.

Long-term debt. At June 30, 2017, the Town had total outstanding debt of \$7,339,712, exclusive of net pension liability. Total outstanding debt for the governmental activities is \$475,926. Total outstanding debt for the business-type activities is \$6,863,786. More detailed information about long-term debt can be found in Note 6 to the basic financial statements.

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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 FY17. Still, given the current economic environment and development opportunities in St. Charles, just north of La Plata, attracting new development is challenging. Still no significant work is occurring on two of the four large residential developments that are planned for the Town. The Town has been working with the owners of one of these properties to try and secure funding for the sewer and water infrastructure improvements that are needed for it to move forward. Work on the other two projects is still on-going but the pace slowed from FY16. On the commercial side of things, only two new commercial permits were issued in FY17 and there continue to be a number of professional and retail vacancies in Town. There are also still a couple of ambitious mixed use projects in the pipeline, but the interest in these appears to have waned somewhat since last year. These are longer term projects that are in the very early stages of development so they are particularly sensitive to vagaries of the market and dependent on the demand for new commercial space to ultimately make them feasible. At present, the limited new commercial investment that is taking place is primarily retail and service oriented businesses which are just moving into available spaces in already developed properties.

While the rate of growth has slowed from the pace of the early 2000's, the Town is still focused on assuring that it has adequate public facilities and resources to accommodate the growth when it does occur. The Town continues to evaluate and improve its water supply and sewage collection systems. The Waste Water Treatment Plant performance continues to exceed the State mandated standards. The Town is also continuing to work with Charles County, the Town of Indian Head and 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, 2017**

	Governmental activities	Business-type activities	Total primary government
Assets			
Cash and cash equivalents	\$ 5,796,550	\$ 2,915,389	\$ 8,711,939
Investments, including accrued interest	5,322,434	2,655,516	7,977,950
Receivables (net of allowance for uncollectibles)			
Property taxes	55,878	-	55,878
Other receivables	26,517	1,739,643	1,766,160
Due from other governments	244,799	-	244,799
Prepaid expenses	108,837	-	108,837
Capital assets			
Nondepreciable assets	3,527,874	751,508	4,279,382
Depreciable assets, net	8,673,173	26,747,690	35,420,863
	\$ 23,756,062	\$ 34,809,746	\$ 58,565,808
Deferred outflows of resources			
Deferred outflows - pension related	\$ 725,501	\$ 149,486	\$ 874,987
Liabilities			
Current liabilities			
Accounts payable and other current liabilities	\$ 319,176	\$ 344,177	\$ 663,353
Accrued expenses	-	40,330	40,330
Deposits	31,561	-	31,561
Other liabilities	16,486	-	16,486
Noncurrent liabilities			
Due within one year	145,509	747,793	893,302
Due in more than one year	2,687,559	6,660,043	9,347,602
	3,200,291	7,792,343	10,992,634
Deferred inflows of resources			
Deferred inflows - pension related	\$ 164,162	\$ 23,918	\$ 188,080
Net position			
Invested in capital assets, net of related debt	12,189,047	20,734,178	32,923,225
Restricted for major facility fee	-	1,483,800	1,483,800
Unrestricted	8,928,063	4,924,993	13,853,056
	\$ 21,117,110	\$ 27,142,971	\$ 48,260,081

See Notes to Financial Statements.

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**Statement of Activities
Year Ended June 30, 2017**

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	\$ 1,812,477	\$ 229,643	\$ -	\$ -	\$ (1,582,834)	\$ -	\$ (1,582,834)
Public safety	2,323,358	-	98,420	-	(2,224,938)	-	(2,224,938)
Public works	2,236,164	-	303,688	-	(1,932,476)	-	(1,932,476)
Parks, recreation and culture	469,886	2,586	-	189,996	(277,304)	-	(277,304)
Interest long-term debt	16,370	-	-	-	(16,370)	-	(16,370)
Total governmental activities	<u>6,858,255</u>	<u>232,229</u>	<u>402,108</u>	<u>189,996</u>	<u>(6,033,922)</u>	<u>-</u>	<u>(6,033,922)</u>
Business-type activities							
Water and sewer services	4,301,012	4,570,563	45,000	-	-	314,551	314,551
Sanitation and waste removal	854,670	1,123,514	-	-	-	268,844	268,844
Storm water management	229,132	395,588	-	-	-	166,456	166,456
Total business-type activities	<u>5,384,814</u>	<u>6,089,665</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>749,851</u>	<u>749,851</u>
Total primary government	<u>\$ 12,243,069</u>	<u>\$ 6,321,894</u>	<u>\$ 447,108</u>	<u>\$ 189,996</u>	<u>(6,033,922)</u>	<u>749,851</u>	<u>(5,284,071)</u>
General revenues							
Taxes							
Property					3,967,884	-	3,967,884
Income					1,583,620	-	1,583,620
Hotel/motel					79,171	-	79,171
Franchise fee					184,261	-	184,261
Investment earnings					25,512	8,313	33,825
Miscellaneous					181,855	-	181,855
Transfers					501,069	(501,069)	-
Total general revenues and transfers					<u>6,523,372</u>	<u>(492,756)</u>	<u>6,030,616</u>
Change in net position					489,450	257,095	746,545
Net position - beginning of year					<u>20,627,660</u>	<u>26,885,876</u>	<u>47,513,536</u>
Net position - end of year					<u>\$ 21,117,110</u>	<u>\$ 27,142,971</u>	<u>\$ 48,260,081</u>

See Notes to Financial Statements.

Town of La Plata, Maryland

**Balance Sheet - Governmental Funds
June 30, 2017**

	General fund	Nonmajor governmental funds	Total governmental funds
<u>Assets</u>			
Cash and cash equivalents	\$ 5,796,550	\$ -	\$ 5,796,550
Investments, including accrued interest	5,279,741	42,693	5,322,434
Property taxes receivable	55,878	-	55,878
Due from other governments	173,205	71,594	244,799
Other receivables	26,517	-	26,517
Prepaid expenses	108,837	-	108,837
	<u>\$ 11,440,728</u>	<u>\$ 114,287</u>	<u>\$ 11,555,015</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 209,114	\$ 105,127	\$ 314,241
Deposits	31,561	-	31,561
Other liabilities	7,326	9,160	16,486
	<u>248,001</u>	<u>114,287</u>	<u>362,288</u>
Fund balances			
Nonspendable			
Prepaid expenses	108,837	-	108,837
Assigned			
Highway user revenue reserve	56,088	-	56,088
Transportation improvements	314,022	-	314,022
Vehicle replacement	817,562	-	817,562
Forest conservation	101,426	-	101,426
Contingency	1,600,000	-	1,600,000
Storm reserve	133,493	-	133,493
Building replacement reserve	1,590,833	-	1,590,833
Public education	-	-	-
Unassigned	6,470,466	-	6,470,466
	<u>11,192,727</u>	<u>-</u>	<u>11,192,727</u>
	<u>\$ 11,440,728</u>	<u>\$ 114,287</u>	<u>\$ 11,555,015</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, 2017**

Total fund balances - governmental funds \$ 11,192,727

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	\$ 18,462,970	
Accumulated depreciation	<u>(6,261,923)</u>	
		12,201,047

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

General obligation bonds	(171,290)	
Accrued interest payable	(4,935)	
Notes payable	(12,000)	
Accumulated unused compensated absences	(292,636)	
Net pension liability	(2,357,142)	
Deferred outflows and inflows of resources	<u>561,339</u>	
		<u>(2,276,664)</u>

Total net position - governmental activities \$ 21,117,110

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, 2017**

	General fund	Nonmajor governmental funds	Total governmental funds
Revenue			
Taxes	\$ 5,630,675	\$ -	\$ 5,630,675
Licenses and permits	336,082	-	336,082
Intergovernmental	393,165	198,939	592,104
Charges for services	80,408	-	80,408
Fines and forfeitures	10,062	-	10,062
Miscellaneous	197,305	-	197,305
Total revenue	<u>6,647,697</u>	<u>198,939</u>	<u>6,846,636</u>
Expenditures			
Current			
General government	1,711,855	15,500	1,727,355
Public safety	2,371,653	8,943	2,380,596
Public works	2,004,479	-	2,004,479
Parks, recreation and culture	462,021	189,996	652,017
Debt service			
Principal reduction	116,136	-	116,136
Interest	9,270	-	9,270
Total expenditures	<u>6,675,414</u>	<u>214,439</u>	<u>6,889,853</u>
Excess of expenditures over revenue	<u>(27,717)</u>	<u>(15,500)</u>	<u>(43,217)</u>
Other financing sources			
Transfers	<u>501,069</u>	<u>-</u>	<u>501,069</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing sources	473,352	(15,500)	457,852
Fund balances at beginning of year	<u>10,719,375</u>	<u>15,500</u>	<u>10,734,875</u>
Fund balances at end of year	<u><u>\$ 11,192,727</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,192,727</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, 2017**

Excess of revenue and other financing sources over expenditures and other financing sources - governmental funds	\$	457,852
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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	\$	731,098	
Depreciation		(618,535)	
Loss from disposal of assets		<u>(98,599)</u>	
			13,964

Repayment of loan principal is an expenditure in the general fund, but the repayment reduces noncurrent liabilities in the statement of net position.		116,136
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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.		(7,100)
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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>(91,402)</u>
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Change in net position of governmental activities	\$	<u><u>489,450</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, 2017**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
Revenues				
Taxes	\$ 5,171,060	\$ 5,171,060	\$ 5,630,675	\$ 459,615
Licenses and permits	309,290	309,290	336,082	26,792
Intergovernmental	410,430	410,430	393,165	(17,265)
Service charges	54,940	54,940	80,408	25,468
Fines and forfeitures	5,740	5,740	10,062	4,322
Miscellaneous	111,160	111,160	197,305	86,145
Total revenues	6,062,620	6,062,620	6,647,697	585,077
Expenditures				
Current				
General government	1,821,165	1,822,165	1,711,855	110,310
Public safety	2,465,000	2,402,000	2,371,653	30,347
Public works	2,079,570	2,156,770	2,004,479	152,291
Parks, recreation and culture	479,415	464,215	462,021	2,194
Debt service	164,210	164,210	125,406	38,804
Total expenditures	7,009,360	7,009,360	6,675,414	333,946
Other financing sources				
Transfers in	692,490	692,490	501,069	(191,421)
Net change in fund balance	\$ (254,250)	\$ (254,250)	473,352	\$ 59,710
Fund balance at beginning of year			10,719,375	
Fund balance at end of year			\$ 11,192,727	

See Notes to Financial Statements.

Town of La Plata, Maryland

**Statement of Net Position - Proprietary Funds
June 30, 2017**

	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	\$ 2,169,659	\$ 479,644	\$ 266,086	\$ 2,915,389
Investments	1,967,865	436,891	250,760	2,655,516
Service charges receivable	1,347,114	292,956	99,573	1,739,643
	<u>5,484,638</u>	<u>1,209,491</u>	<u>616,419</u>	<u>7,310,548</u>
Capital assets				
Land	399,295	-	6,200	405,495
Buildings	13,224,908	-	-	13,224,908
Improvements	189,937	-	-	189,937
Infrastructure	27,446,647	-	1,369,496	28,816,143
Other equipment	1,652,778	91,628	33,438	1,777,844
Vehicles and mobile equipment	529,260	454,806	42,782	1,026,848
Construction-in-progress	104,921	-	241,092	346,013
	<u>43,547,746</u>	<u>546,434</u>	<u>1,693,008</u>	<u>45,787,188</u>
Less accumulated depreciation	<u>(17,376,289)</u>	<u>(242,788)</u>	<u>(668,913)</u>	<u>(18,287,990)</u>
	<u>26,171,457</u>	<u>303,646</u>	<u>1,024,095</u>	<u>27,499,198</u>
Total assets	<u><u>\$ 31,656,095</u></u>	<u><u>\$ 1,513,137</u></u>	<u><u>\$ 1,640,514</u></u>	<u><u>\$ 34,809,746</u></u>
Deferred outflows of resources				
Deferred outflows - pension related	<u>\$ 87,858</u>	<u>\$ 40,501</u>	<u>\$ 21,127</u>	<u>\$ 149,486</u>
Liabilities				
Current liabilities				
Accounts payable	293,587	40,844	9,746	344,177
Accrued liabilities	40,330	-	-	40,330
Revenue bonds payable	710,039	-	-	710,039
General obligation bonds payable	32,531	-	-	32,531
Compensated absences	5,223	-	-	5,223
Noncurrent liabilities				
Revenue bonds payable	6,054,980	-	-	6,054,980
General obligation bonds payable	16,028	-	-	16,028
Compensated absences	36,884	6,462	1,639	44,985
Net pension liability	325,579	148,344	70,127	544,050
Total liabilities	<u>7,515,181</u>	<u>195,650</u>	<u>81,512</u>	<u>7,792,343</u>
Deferred inflows of resources				
Deferred inflows - pension related	<u>11,665</u>	<u>7,855</u>	<u>4,398</u>	<u>23,918</u>
Net position				
Invested in capital assets, net of related debt	19,406,437	303,646	1,024,095	20,734,178
Restricted				
Major facility fee	1,483,800	-	-	1,483,800
Unrestricted	<u>3,326,870</u>	<u>1,046,487</u>	<u>551,636</u>	<u>4,924,993</u>
Total net position	<u><u>\$ 24,217,107</u></u>	<u><u>\$ 1,350,133</u></u>	<u><u>\$ 1,575,731</u></u>	<u><u>\$ 27,142,971</u></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, 2017**

	Business-type Activities - Enterprise funds			Total business-type activities
	Water and sewer fund	Sanitation fund	Nonmajor proprietary fund	
Operating revenue				
Current use charges	\$ 4,491,993	\$ 1,102,522	\$ 395,588	\$ 5,990,103
Fines and forfeitures	51,488	20,992	-	72,480
Intergovernmental	45,000	-	-	45,000
Miscellaneous				
Water meters	16,615	-	-	16,615
Bulk water	347	-	-	347
Other	10,120	-	-	10,120
Total operating revenue	<u>4,615,563</u>	<u>1,123,514</u>	<u>395,588</u>	<u>6,134,665</u>
Operating expenses				
Salaries and payroll expense	598,708	264,923	93,474	957,105
Electricity	408,094	-	-	408,094
Repairs and maintenance of systems and equipment	5,705	16,760	8,392	30,857
Other operating expenses	1,640,176	533,589	57,896	2,231,661
Depreciation	<u>1,543,292</u>	<u>39,398</u>	<u>69,370</u>	<u>1,652,060</u>
Total operating expenses	<u>4,195,975</u>	<u>854,670</u>	<u>229,132</u>	<u>5,279,777</u>
Operating income	<u>419,588</u>	<u>268,844</u>	<u>166,456</u>	<u>854,888</u>
Nonoperating revenue (expenses)				
Interest income	6,935	1,378	-	8,313
Interest charges	<u>(105,037)</u>	<u>-</u>	<u>-</u>	<u>(105,037)</u>
Total nonoperating (expenses) revenue	<u>(98,102)</u>	<u>1,378</u>	<u>-</u>	<u>(96,724)</u>
Income before transfers	321,486	270,222	166,456	758,164
Transfers out	<u>(313,505)</u>	<u>(151,704)</u>	<u>(35,860)</u>	<u>(501,069)</u>
Change in net position	7,981	118,518	130,596	257,095
Net position - beginning of year	<u>24,209,126</u>	<u>1,231,615</u>	<u>1,445,135</u>	<u>26,885,876</u>
Net position - end of year	<u>\$ 24,217,107</u>	<u>\$ 1,350,133</u>	<u>\$ 1,575,731</u>	<u>\$ 27,142,971</u>

See Notes to Financial Statements.

Town of La Plata, Maryland

**Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2017**

	Business-type activities - Enterprise funds			Total business-type activities
	Water and sewer fund	Sanitation fund	Nonmajor proprietary fund	
Cash flows from operating activities				
Receipts from customers	\$ 4,258,608	\$ 1,123,935	\$ 393,519	\$ 5,776,062
Payments to employees	(575,837)	(247,136)	(91,587)	(914,560)
Payments to suppliers for goods and services	(2,817,724)	(553,578)	(71,206)	(3,442,508)
Net cash provided by operating activities	<u>865,047</u>	<u>323,221</u>	<u>230,726</u>	<u>1,418,994</u>
Cash flows from noncapital financing activities				
Transfers out	(313,505)	(151,704)	(35,860)	(501,069)
Net cash used in noncapital financing activities	<u>(313,505)</u>	<u>(151,704)</u>	<u>(35,860)</u>	<u>(501,069)</u>
Cash flows from capital and related financing activities				
Disposal (acquisition and construction) of capital assets	510,231	(24,460)	(275,655)	210,116
Principal paid on bonds	(732,356)	-	-	(732,356)
Interest paid on bonds	(109,659)	-	-	(109,659)
Net cash used in capital and related financing activities	<u>(331,784)</u>	<u>(24,460)</u>	<u>(275,655)</u>	<u>(631,899)</u>
Cash flows from investing activities				
Withdrawals from (deposits made for) investments	34,095	(43,699)	55,170	45,566
Interest earned	6,935	1,378	-	8,313
Net cash provided by (used in) investing activities	<u>41,030</u>	<u>(42,321)</u>	<u>55,170</u>	<u>53,879</u>
Net increase (decrease) in cash and cash equivalents	260,788	104,736	(25,619)	339,905
Cash and cash equivalents, beginning of year	<u>1,908,871</u>	<u>374,908</u>	<u>291,705</u>	<u>2,575,484</u>
Cash and cash equivalents, end of year	<u>\$ 2,169,659</u>	<u>\$ 479,644</u>	<u>\$ 266,086</u>	<u>\$ 2,915,389</u>

Town of La Plata, Maryland

**Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2017**

	Business-type activities - Enterprise funds			Total business-type activities
	Water and sewer fund	Sanitation fund	Nonmajor proprietary fund	
Operating income	\$ 419,588	\$ 268,844	\$ 166,456	\$ 854,888
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,543,292	39,398	69,370	1,652,060
Disposal of fixed assets	(682,018)	-	-	(682,018)
Changes in assets and liabilities				
Accounts receivable	(356,953)	20,123	(130)	(336,960)
Accounts payable	(77,330)	(3,228)	(4,917)	(85,475)
Compensated absences	18,468	(1,916)	(53)	16,499
 Net cash provided by operating activities	 <u>\$ 865,047</u>	 <u>\$ 323,221</u>	 <u>\$ 230,726</u>	 <u>\$ 1,418,994</u>

See Notes to Financial Statements.

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2017

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, 2017

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, 2017

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, 2017

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, 2017, the allowance for uncollectible accounts totaled \$241,911.

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, 2017, 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, 2017**

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

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

Deferred outflows of resources

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

Interfund transactions

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

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

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

Compensated absences

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

For governmental fund types, the amount of accumulated unpaid vacation which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. As of June 30, 2017, 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, 2017

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, 2017

Governmental money purchase plan and trust

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

New Governmental Accounting Standards Board standards

GASB has issued the pronouncements noted below, prior to the year ended June 30, 2017, the implementation of which may impact the financial statements of the Town.

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

- GASB Statement No. 82, "Pension Issues," was effective for the Town beginning with the fiscal year ended June 30, 2017. This Statement amends certain provisions of GASBS No. 68 to require the presentation of covered payroll (the payroll or compensation paid to all employees on which contributions to the pension plan are based), and the related ratios, in the require supplementary information. Previously, GASB 68 required presentation of covered-employee payroll (the payroll of employees that are provided with pensions through the pension plan), and the related ratios, in the required supplementary information. The Town adopted GASB 82 during fiscal year ended June 30, 2017 and has retroactively applied the related changes to the accompanying required supplementary information to reflect covered payroll instead of covered-employee payroll for all periods presented.

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

- GASB Statement No. 83, "Certain Asset Retirement Obligations," will be effective for the Town beginning with the fiscal year ending June 30, 2019. This Statement addresses accounting and financial reporting requirements for asset retirement obligations ("ARO"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. 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. 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.

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2017

- GASB Statement No. 85, "Omnibus 2017," will be effective for the Town beginning with the fiscal year ending June 30, 2018. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. 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. 86, "Certain Debt Extinguishment Issues," will be effective for the Town beginning with the fiscal year ending June 30, 2018. This Statement establishes accounting and financial reporting guidelines for in-substance defeasance of debt in which existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. 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.

Note 2 - Cash and cash equivalents and investments

Maryland State law requires that all local governments within the State adopt a written investment policy that complies with State Finance & Procurement Article §6-222 and Article 95 §22F of the Annotated Code of Maryland and which meets or exceeds standards on investments published by the Government Finance Officers Association ("GFOA") and/or Municipal Treasurer's Association. The Town has adopted such a policy and it provides the Town with a variety of investment options. The Town invests primarily in certificates of deposit and deposits in the MLGIP, which are carried at amortized cost. The MLGIP is rated "AAA" by Standard and Poor's (their highest rating). As of June 30, 2017, the Town's investment in MLGIP totaled \$1,387,600.

The Town's investment policy does not permit investment maturities to exceed one year as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2017, all of the Town's certificates of deposit had a maturity of one year or less. As of June 30, 2017, the Town's investment in certificates of deposit and money market accounts totaled \$6,589,920.

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, 2017, 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.

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2017**

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, 2017:

- Amounts invested in certificates of deposit of \$2,175,755 and money market funds of \$430 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.

The following table presents the financial assets that the Town measures at fair value or amortized cost as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Investments carried at fair value:				
Certificates of Deposit	\$ -	\$ 6,589,920	\$ -	\$ 6,589,920
Money Market	-	430	-	430
Total investments by fair value level	\$ -	\$ 6,590,350	\$ -	6,590,350
Investments carried at amortized cost:				
MLGIP - Mutual Funds				1,387,600
Total investments				\$ 7,977,950

Note 4 - Interfund transfers

Interfund transfers for the year ended June 30, 2017, 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 \$501,069.

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2017**

Note 5 - Due from other governments

As of June 30, 2017, the balance of due from other governments is as follows:

Governmental activities		
State Highway Administration	\$	90,409
Income tax		113,072
Federal grant		18,193
Permits		690
Franchise fees		<u>22,435</u>
Total due from other governments	<u>\$</u>	<u>244,799</u>

Note 6 - Capital assets

A summary of changes in governmental activities capital assets for the year ended June 30, 2017 is as follows:

Asset class	Balance June 30, 2016	Additions and transfers	Disposals and transfers	Balance June 30, 2017
Capital assets not being depreciated				
Land	\$ 3,519,496	\$ -	\$ -	\$ 3,519,496
Construction in progress	<u>105,755</u>	<u>-</u>	<u>(97,377)</u>	<u>8,378</u>
Total capital assets not being depreciated	<u>3,625,251</u>	<u>-</u>	<u>(97,377)</u>	<u>3,527,874</u>
Capital assets being depreciated				
Buildings	7,555,958	194,293	-	7,750,251
Improvements other than buildings	917,066	120,504	-	1,037,570
Infrastructure	3,726,310	42,855	-	3,769,165
Other equipment	619,594	147,952	-	767,546
Vehicles and mobile equipment	<u>1,522,245</u>	<u>225,494</u>	<u>(137,175)</u>	<u>1,610,564</u>
Total capital assets being depreciated	<u>14,341,173</u>	<u>731,098</u>	<u>(137,175)</u>	<u>14,935,096</u>
Accumulated depreciation for:				
Buildings	(1,970,905)	(197,388)	-	(2,168,293)
Improvements other than buildings	(481,519)	(58,100)	-	(539,619)
Infrastructure	(1,676,877)	(198,555)	-	(1,875,432)
Other equipment	(471,992)	(64,138)	-	(536,130)
Vehicles and mobile equipment	<u>(1,178,048)</u>	<u>(100,354)</u>	<u>135,953</u>	<u>(1,142,449)</u>
Total accumulated depreciation	<u>(5,779,341)</u>	<u>(618,535)</u>	<u>135,953</u>	<u>(6,261,923)</u>
Total capital assets, being depreciated, net	<u>8,561,832</u>	<u>112,563</u>	<u>(1,222)</u>	<u>8,673,173</u>
Governmental capital assets, net	<u>\$ 12,187,083</u>	<u>\$ 112,563</u>	<u>\$ (98,599)</u>	<u>\$ 12,201,047</u>

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2017**

A summary of changes in business-type activities capital assets for the year ended June 30, 2017 is as follows:

<u>Asset class</u>	<u>Balance June 30, 2016</u>	<u>Additions and transfers</u>	<u>Disposals and transfers</u>	<u>Balance June 30, 2017</u>
Capital assets not being depreciated				
Land	\$ 405,495	\$ -	\$ -	\$ 405,495
Construction in progress	<u>123,200</u>	<u>245,695</u>	<u>(22,882)</u>	<u>346,013</u>
Total capital assets not being depreciated	<u>528,695</u>	<u>245,695</u>	<u>(22,882)</u>	<u>751,508</u>
Capital assets being depreciated				
Buildings	13,896,805	5,950	(677,847)	13,224,908
Improvements other than buildings	189,937	-	-	189,937
Infrastructure	28,781,317	34,826	-	28,816,143
Other equipment	1,683,944	93,900	-	1,777,844
Vehicles and mobile equipment	<u>916,606</u>	<u>118,692</u>	<u>(8,450)</u>	<u>1,026,848</u>
Total capital assets being depreciated	<u>45,468,609</u>	<u>253,368</u>	<u>(686,297)</u>	<u>45,035,680</u>
Accumulated depreciation for:				
Buildings	(6,715,500)	(347,870)	677,847	(6,385,523)
Improvements other than buildings	(32,716)	(10,236)	-	(42,952)
Infrastructure	(8,565,164)	(1,173,227)	-	(9,738,391)
Other equipment	(1,530,104)	(63,648)	-	(1,593,752)
Vehicles and mobile equipment	<u>(474,464)</u>	<u>(57,079)</u>	<u>4,171</u>	<u>(527,372)</u>
Total accumulated depreciation	<u>(17,317,948)</u>	<u>(1,652,060)</u>	<u>682,018</u>	<u>(18,287,990)</u>
Total capital assets, being depreciated, net	<u>28,150,661</u>	<u>(1,398,692)</u>	<u>(4,279)</u>	<u>26,747,690</u>
Business-type capital assets, net	<u>\$ 28,679,356</u>	<u>\$ (1,152,997)</u>	<u>\$ (27,161)</u>	<u>\$ 27,499,198</u>

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2017**

Depreciation expense was charged in the statement of activities for the year ended June 30, 2017 as follows:

Governmental activities		
General government	\$	110,593
Public safety		54,554
Public works		158,250
Parks, recreation and culture		<u>295,138</u>
	<u>\$</u>	<u>618,535</u>
Business-type activities		
Water and sewer fund	\$	1,543,292
Sanitation fund		39,398
Nonmajor proprietary fund		<u>69,370</u>
	<u>\$</u>	<u>1,652,060</u>

Note 7 - Long-term liabilities

Long-term liability activity as of and for the year ended June 30, 2017, is as follows:

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017	Due within one year
Governmental activities					
General obligation bonds	\$ 285,426	\$ -	\$ (114,136)	\$ 171,290	\$ 114,195
Notes payable	14,000	-	(2,000)	12,000	2,000
Compensated absences	299,127	-	(6,491)	292,636	29,314
Net pension liability	<u>2,060,587</u>	<u>296,555</u>	<u>-</u>	<u>2,357,142</u>	<u>-</u>
	<u>\$ 2,659,140</u>	<u>\$ 296,555</u>	<u>\$ (122,627)</u>	<u>\$ 2,833,068</u>	<u>\$ 145,509</u>
Business-type activities					
Revenue bonds	\$ 7,464,846	\$ -	\$ (699,827)	\$ 6,765,019	\$ 710,039
General obligation bonds	81,088	-	(32,529)	48,559	32,531
Compensated absences	32,017	18,191	-	50,208	5,223
Net pension liability	<u>472,149</u>	<u>71,901</u>	<u>-</u>	<u>544,050</u>	<u>-</u>
	<u>\$ 8,050,100</u>	<u>\$ 90,092</u>	<u>\$ (732,356)</u>	<u>\$ 7,407,836</u>	<u>\$ 747,793</u>

General obligation bonds payable relating to governmental activities at June 30, 2017 consists of the following:

Town of La Plata, General Obligation Bond, 1-03; authorized amount \$1,712,040; interest at 3.61% payable in semiannual payments of principal and interest. Principal serially redeemed through August 25, 2018.	<u>\$ 171,290</u>
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Notes payable relating to governmental activities at June 30, 2017 consists of the following:

Note payable with fire house, noninterest-bearing, payable in annual installments of \$2,000 through June 2023.	<u>\$ 12,000</u>
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Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2017**

A schedule of maturities of the general obligation bonds payable and notes payable relating to governmental activities as of June 30, 2017 is as follows:

Governmental debt			
	Principal	Interest	Total
June 30, 2018	\$ 116,195	\$ 5,150	\$ 121,345
2019	59,095	1,030	60,125
2020	2,000	-	2,000
2021	2,000	-	2,000
2022	2,000	-	2,000
2023	2,000	-	2,000
	\$ 183,290	\$ 6,180	\$ 189,470

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, 2017 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.	\$ 557,691
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.	2,576,564
La Plata Water Quality Bond 2000 Series; authorized amount \$7,700,000; semiannual principal and interest payments at 1.6%. Principal serially redeemed through February 1, 2023.	2,402,619
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.	834,390

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2017**

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.

393,755

\$ 6,765,019

General obligation bonds payable relating to business-type activities at June 30, 2017 consists of the following:

Town of La Plata, General Obligation Bond 1-03; authorized amount \$487,960; interest at 3.61% payable in semiannual payments of principal and interest. Principal serially redeemed through August 25, 2018.

\$ 48,559

A schedule of maturities of the revenue bonds payable and general obligation bonds payable relating to business-type activities as of June 30, 2017 is as follows:

	Business-type debt		
	Principal	Interest	Total
June 30, 2018	\$ 742,570	\$ 79,052	\$ 821,622
2019	736,437	70,802	807,239
2020	730,941	63,323	794,264
2021	741,635	56,029	797,664
2022	752,495	48,624	801,119
2023 - 2027	1,572,341	133,129	1,705,470
2028 - 2033	1,537,159	72,776	1,609,935
	<u>\$ 6,813,578</u>	<u>\$ 523,735</u>	<u>\$ 7,337,313</u>

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.

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2017**

Note 9 - Pension plan

Summary

The Town has previously adopted GASB No. 68 - Accounting and Financial Reporting for Pensions ("GASB 68"). The Town participates in the Maryland State Retirement and Pension System (the "System"), and qualifies as a Participating Governmental Unit ("PGU"). The State Retirement Agency (the "Agency") is the plan administrator and fiduciary. GASB No. 68 requires that a PGU recognize its proportionate share of the System's net pension liability (i.e., unfunded pension liability) and pension expense. The Town's proportionate share is based on total System contributions and approximates 0.01230% as of the measurement date of June 30, 2016.

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 2017 contribution in December 2016 of \$243,931 is 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 \$243,931 to the System for fiscal year 2017 which was actuarially determined based on statutory provisions. The Town has also recognized in pension expense its proportionate share of the System's deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets and its proportionate share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.

Basis of presentation and basis of accounting

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

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

Actual employer contributions billed to participating government units for the year ended June 30, 2016, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. The contributions were adjusted by increasing contributions by approximately \$77 million to adjust for differences between actuarially determined contributions and actual contributions by the State of Maryland.

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2017**

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, 2016, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total Pension Liability	\$ 68,959,954,000
Plan Fiduciary Net Position	<u>45,365,927,000</u>
Net Pension Liability	<u>\$ 23,594,027,000</u>
Plan Fiduciary Net Position as a Percentage of the Total Town Pension Liability	<u>65.79%</u>

Actuarial assumptions

- Actuarial - Entry Age Normal
- Amortization Method - Level Percentage of Payroll; Closed
- Asset Valuation Method - 5-year smoothed market; 20% collar
- Inflation - 2.70% general, 3.20% wage
- Salary Increases - 3.30% to 9.20%, including inflation
- Discount Rate - 7.55%
- Investment Rate of Return - 7.55%
- Retirement Age - Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
- Mortality - RP-2014 Combined Healthy Mortality Table projected to the year 2025
- Note: There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions change in the 2016 valuation:
 - Inflation assumption changed from 2.95% to 2.70%

Investments

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

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2017**

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

Asset class	Target allocations	Long-term expected real rate of return
Public Equity	37%	6.60%
Private Equity	10%	7.40%
Rate Sensitive	20%	1.30%
Credit Opportunity	9%	4.20%
Real Estate	15%	4.70%
Absolute Return	9%	3.70%
Total	100%	

The above was the Pension System's Board of Trustees' adopted asset allocation policy and best estimate of geometrical real rates of return for each major asset class as of June 30, 2016.

Discount rate

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

Sensitivity to the net pension liability

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

	1% lower 6.55%	Current rate 7.55%	1% higher 8.55%
The System's Net Pension Liability	\$ 32,408,442,000	\$ 23,594,027,000	\$ 16,259,112,000
The Town's Proportionate Share of Net Pension Liability	3,985,039	2,901,192	1,999,269

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2017

Pension plan description

Organization

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

Covered members

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

Summary of significant plan provisions

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

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2017

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 2016 are as follows:

Service retirement allowances

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

Vested allowances

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 (other than a judge or a legislator) and who terminates employment before attaining retirement age but after accumulating 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

Town of La Plata, Maryland

Notes to Financial Statements June 30, 2017

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

Early service retirement

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

Disability and death benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 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.

Adjusted retirement allowances (as applicable)

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

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2017**

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, 2017, the Town reported a liability of \$2,901,192 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Town's proportion was approximately 0.01230%.

For the year ended June 30, 2017, the Town recognized pension expense of \$123,939. At June 30, 2017, 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	\$ 115,958	\$ -
Difference between actual and expected experience	-	73,004
Net difference between projected and actual earnings on pension plan investments	455,089	115,076
Change in proportionate share	60,009	-
Contributions subsequent to the measurement date	243,931	-
Total	\$ 874,987	\$ 188,080

The deferred outflow of resources of \$243,931 relating to contributions subsequent to the measurement date will be recognized as a reduction of the Town's net pension liability during the fiscal year ended June 30, 2018. The deferred outflows and inflows of resources due to changes in assumptions, differences between actual and expected experience, change in proportion, and differences between projected and actual investment earnings represent the Town's proportionate share of the unamortized portions of the System's original amounts. The deferred inflows and outflows related to noninvestment activity are being amortized over the remaining service life of 5.87 years. The 2014 deferred outflows not related to investment activity are being amortized over the remaining service life of five years. The net difference in investment earnings for 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.

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2017**

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

Fiscal year ending June 30	Amortization of 2016 balance			Deferred outflows - net difference in investment	Amortization of 2015 balance			Deferred inflows - actual vs expected experience	Amortization of 2014 balance	
	Deferred outflows - net difference in investment	Deferred outflows - change in proportion	Deferred inflows - actual vs expected experience		Deferred outflows - net difference in investment	Deferred outflows - change in assumptions	Deferred outflows - change in proportion		Deferred outflows - change in assumptions	Deferred outflows - change in investment earnings
2018	\$ 71,944	\$ 3,408	\$ 6,534	\$ 55,770	\$ 26,034	\$ 11,223	\$ 10,651	\$ 7,604	\$ 57,538	
2019	71,944	3,408	6,534	55,770	26,034	11,223	10,651	7,605	57,538	
2020	71,944	3,408	6,534	55,771	26,034	11,223	10,651	-	-	
2021	71,946	3,408	6,534	-	22,647	9,761	9,264	-	-	
2022	-	2,947	5,651	-	-	-	-	-	-	
	<u>\$ 287,778</u>	<u>\$ 16,579</u>	<u>\$ 31,787</u>	<u>\$ 167,311</u>	<u>\$ 100,749</u>	<u>\$ 43,430</u>	<u>\$ 41,217</u>	<u>\$ 15,209</u>	<u>\$ 115,076</u>	

Net pension liability

The net pension liability was allocated amongst the funds based on the percentage of contributions made by each fund. The components of the Town's proportionate share of the Pension System's net pension liability as of the measurement date of June 30, 2016 were as follows:

	Governmental activities	Business-type activities			Total
		Water and sewer	Sanitation	Nonmajor	
Total Pension Liability	\$ 6,889,392	\$ 951,590	\$ 433,575	\$ 204,966	\$ 8,479,523
Plan Fiduciary Net Position	4,532,250	626,011	285,231	134,839	5,578,331
Net Pension Liability	<u>\$ 2,357,142</u>	<u>\$ 325,579</u>	<u>\$ 148,344</u>	<u>\$ 70,127</u>	<u>\$ 2,901,192</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, 2016 and 2015 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.

Town of La Plata, Maryland

**Notes to Financial Statements
June 30, 2017**

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 January 29, 2018 (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, 2017**

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

	FY 2017	FY 2016	FY 2015
Town's proportionate share (%) of collective net pension liability	0.012296%	0.012187%	0.011848%
Town's proportionate share (\$) of collective net pension liability	\$ 2,901,192	\$ 2,532,736	\$ 2,102,677
Town's covered payroll (\$)	\$ 2,985,700	\$ 2,808,231	\$ 2,640,045
Town's proportionate share of collective net pension liability as a percentage of its covered payroll	97.17%	90.19%	79.65%
Pension plan's fiduciary net position as a percentage of the total pension liability	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, 2017**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 243,931	\$ 239,542	\$ 256,876	\$ 276,107	Not available					
Contributions in relation to the contractually required contribution	<u>243,931</u>	<u>239,542</u>	<u>256,876</u>	<u>276,107</u>	<u>Not available</u>					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>Not available</u>					
Town's covered payroll	\$ 2,985,700	\$ 2,808,231	\$ 2,640,045	\$ 2,956,224						
Contributions as a percentage of covered payroll	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, 2017**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
Taxes				
Local property taxes				
Real property	\$ 3,799,770	\$ 3,799,770	\$ 3,676,231	\$ (123,539)
Personal property	160,540	160,540	204,429	43,889
Railroads and public utilities	72,000	72,000	77,030	5,030
Penalties and interest	-	-	20,687	20,687
Income tax	1,095,750	1,095,750	1,568,375	472,625
Hotel/motel tax	40,000	40,000	79,171	39,171
Other local taxes	3,000	3,000	4,752	1,752
Total taxes	5,171,060	5,171,060	5,630,675	459,615
Licenses and permits				
Traders	22,970	22,970	30,558	7,588
Construction permits	105,880	105,880	118,677	12,797
Franchise	175,000	175,000	184,261	9,261
Other	5,440	5,440	2,586	(2,854)
Total licenses and permits	309,290	309,290	336,082	26,792
Intergovernmental				
State Police Aid	85,480	85,480	82,216	(3,264)
Highway	319,950	319,950	303,688	(16,262)
Other	5,000	5,000	7,261	2,261
Total intergovernmental	410,430	410,430	393,165	(17,265)
Service charges				
Rental inspection fees	42,000	42,000	62,818	20,818
Other	12,940	12,940	17,590	4,650
Total service charges	54,940	54,940	80,408	25,468
Fines and forfeitures	5,740	5,740	10,062	4,322
Miscellaneous				
Investment earnings	6,000	6,000	25,512	19,512
Miscellaneous	10,500	10,500	56,207	45,707
Rents and concessions	86,000	86,000	89,703	3,703
Sale of surplus assets	8,660	8,660	25,883	17,223
Total miscellaneous	111,160	111,160	197,305	86,145
Total revenues	\$ 6,062,620	\$ 6,062,620	\$ 6,647,697	\$ 585,077

See Independent Auditor's Report.

Town of La Plata, Maryland

**Detail Schedule of Expenditures - Budget and Actual - General Fund
Year Ended June 30, 2017**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
General government				
Legislative	\$ 231,780	\$ 221,760	\$ 220,980	\$ 780
Elections	3,000	7,020	7,018	2
	<u>234,780</u>	<u>228,780</u>	<u>227,998</u>	<u>782</u>
Administration				
Salaries	336,370	336,370	331,203	5,167
Operating expenses	42,705	42,705	27,079	15,626
Capital outlay	350	350	-	350
	<u>379,425</u>	<u>379,425</u>	<u>358,282</u>	<u>21,143</u>
Financial administration				
Salaries	467,860	467,860	449,183	18,677
Operating expenses	63,320	63,320	56,917	6,403
Capital outlay	-	-	1,540	(1,540)
	<u>531,180</u>	<u>531,180</u>	<u>507,640</u>	<u>23,540</u>
Law				
Operating expenses	60,000	66,000	62,927	3,073
Planning and zoning				
Salaries	261,945	261,945	278,022	(16,077)
Operating expenses	72,010	72,010	52,318	19,692
Capital outlay	700	700	-	700
	<u>334,655</u>	<u>334,655</u>	<u>330,340</u>	<u>4,315</u>
Information technology				
Operating expenses	131,500	131,500	78,928	52,572
Capital outlay	40,500	40,500	37,794	2,706
	<u>172,000</u>	<u>172,000</u>	<u>116,722</u>	<u>55,278</u>
Other general government				
HR/personnel	30,350	31,350	31,069	281
Operating expenses	78,775	78,775	76,877	1,898
	<u>109,125</u>	<u>110,125</u>	<u>107,946</u>	<u>2,179</u>
Total general government	<u>1,821,165</u>	<u>1,822,165</u>	<u>1,711,855</u>	<u>110,310</u>

Town of La Plata, Maryland

**Detail Schedule of Expenditures - Budget and Actual - General Fund
Year Ended June 30, 2017**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
Public safety				
Police Department				
Salaries	1,698,685	1,685,685	1,638,800	46,885
Operating expenses	257,855	257,855	270,263	(12,408)
Capital outlay	254,690	254,690	264,997	(10,307)
	<u>2,211,230</u>	<u>2,198,230</u>	<u>2,174,060</u>	<u>24,170</u>
Emergency preparedness				
Operating expenses	10,610	10,610	8,640	1,970
Inspections and enforcement				
Salaries	164,670	139,670	127,657	12,013
Operating expenses	78,490	53,490	35,060	18,430
Capital outlay	-	-	26,236	(26,236)
	<u>243,160</u>	<u>193,160</u>	<u>188,953</u>	<u>4,207</u>
Total public safety	<u>2,465,000</u>	<u>2,402,000</u>	<u>2,371,653</u>	<u>30,347</u>
Public works				
Public works administration				
Salaries	482,450	469,450	463,956	5,494
Operating expenses	165,615	132,815	108,887	23,928
Capital outlay	-	-	508	(508)
	<u>648,065</u>	<u>602,265</u>	<u>573,351</u>	<u>28,914</u>
Maintenance operations				
Salaries	122,415	122,415	132,862	(10,447)
Operating expenses	328,165	448,165	413,434	34,731
Capital outlay	-	3,000	19,936	(16,936)
	<u>450,580</u>	<u>573,580</u>	<u>566,232</u>	<u>7,348</u>
Streets				
Salaries	97,060	97,060	100,744	(3,684)
Operating expenses	312,415	312,415	350,029	(37,614)
Capital outlay	571,450	571,450	414,123	157,327
	<u>980,925</u>	<u>980,925</u>	<u>864,896</u>	<u>116,029</u>
Total public works	<u>2,079,570</u>	<u>2,156,770</u>	<u>2,004,479</u>	<u>152,291</u>

Town of La Plata, Maryland

**Detail Schedule of Expenditures - Budget and Actual - General Fund
Year Ended June 30, 2017**

	Original budget	Amended budget	Actual	Variance with amended budget positive (negative)
Parks, recreation and culture				
Park maintenance and recreation				
Salaries	80,850	80,850	81,923	(1,073)
Operating expenses	152,755	127,755	99,519	28,236
Capital outlay	500	500	25,510	(25,010)
	<u>234,105</u>	<u>209,105</u>	<u>206,952</u>	<u>2,153</u>
Community promotion				
Salaries	84,305	84,305	81,765	2,540
Operating expenses	161,005	170,805	173,304	(2,499)
	<u>245,310</u>	<u>255,110</u>	<u>255,069</u>	<u>41</u>
Total parks, recreation and culture	<u>479,415</u>	<u>464,215</u>	<u>462,021</u>	<u>2,194</u>
Debt service	<u>164,210</u>	<u>164,210</u>	<u>125,406</u>	<u>38,804</u>
Total expenditures	<u>\$ 7,009,360</u>	<u>\$ 7,009,360</u>	<u>\$ 6,675,414</u>	<u>\$ 333,946</u>

See Independent Auditor's Report.

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