

**TOWN OF CENTREVILLE, MARYLAND**

**Financial Statements Together with  
Report of Independent Public Accountants**

**For the Year Ended June 30, 2016**



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

**JUNE 30, 2016**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

Members of the Town Council  
Town of Centreville, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Centreville, Maryland (the Town), as of June 30, 2016, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

The Town's 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. 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.



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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, schedule of the Town's proportionate share of the net pension liability, schedule of the Town's Pension Plan Contributions, schedule of revenues and expenditures – budget and actual – General fund, schedule of funding progress and employer contributions for other post-employment benefit plan be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplemental balance sheet and statement of revenue, expenditures and changes in fund balance for the general fund and statement of revenue, expenses and changes in net position for the proprietary fund are presented for the purposes of additional analysis and are not a required part of the basic financial statements.



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The accompanying supplemental balance sheet and statement of revenue, expenditures and changes in fund balance for the general fund and statement of revenue, expenses and changes in net position for the proprietary fund are the responsibility of management and were derived from and relates 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 supplemental balance sheet and statement of revenue, expenditures and changes in fund balance for the general fund and statement of revenue, expenses and changes in net position for the proprietary fund are fairly stated in all material respects in relation to the basic financial statements as a whole.

Hunt Valley, Maryland  
January 24, 2017

*SB & Company, LLC*

## TOWN OF CENTREVILLE, MARYLAND

### Management's Discussion and Analysis For the Year Ended June 30, 2016

This section of the annual financial statements of the Town of Centreville, Maryland (the Town) presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

#### **Financial Highlights**

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of fiscal year June 30, 2016 by \$33,807,524 (*net position*). Approximately 58% of this amount is attributable to the business-type activities. Of the total net position \$5,693,634 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors (48% is attributable to the business-type activities). Of the remaining total net assets, \$3,971,150 is restricted for specific purposes (*restricted net position*), and \$24,142,740 is invested in capital assets, net of related debt.
- As of June 30, 2016, the Town's governmental funds reported combined ending fund balances of \$7,417,488.
- The Town's total net debt decreased by \$12,663 through principal payments to a year-end balance of \$11,092,034 which is well below our legal debt limit per the Town Charter, as discussed in Note 14, Borrowing Limit.
- As of the close of the current fiscal year, the unassigned fund balance for the general fund was approximately \$3,015,405 or 80% of total general fund expenditures.

#### **Overview of the 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 comprise three components: 1) government-wide financial statements, 2) fund financial 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 a private-sector business. The government-wide statements are on a full accrual accounting basis, including the elimination and/or reclassification of internal activities.

## TOWN OF CENTREVILLE, MARYLAND

### Management's Discussion and Analysis For the Year Ended June 30, 2016

#### Overview of the Financial Statements (continued)

##### *Government-wide financial statements* (continued)

The statement of net position presents information on all of the Town's assets, liabilities, and deferred inflows and outflows of resources. The difference between assets plus deferred outflows and liabilities plus deferred inflows is reported as net position. Over time, increases or decreases 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 Town'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, revenue and expenses are reported in this statement which represent items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, sanitation, parks and recreation, cemetery and stormwater and watershed management. The business-type activities of the Town include water and sewer operations.

The government-wide financial statements can be found on pages 15 and 16 of this report.

##### *Fund financial statements*

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

##### *Governmental funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on 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.

# TOWN OF CENTREVILLE, MARYLAND

## Management's Discussion and Analysis For the Year Ended June 30, 2016

### Overview of the Financial Statements (continued)

#### *Governmental funds* (continued)

Since the government-wide focus includes the long-term view and the fund focus includes the short-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. 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 governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. A budgetary comparison statement can be found on pages 54-55 of this report.

#### *Proprietary fund*

The Town maintains one proprietary fund: an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer infrastructure and operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, which is considered to be a major fund of the Town. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

#### *Notes to basic financial statements*

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements are part of the basic financial statements and can be found on pages 24-49 of this report.

#### *Required supplementary information*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparison of the Town's progress in funding its obligations to provide other post-employment benefits (OPEB) to its employees and the Town's proportionate share of the collective Net Position Liability. Required supplementary information is located on pages 51-56 of this report.

# TOWN OF CENTREVILLE, MARYLAND

## Management's Discussion and Analysis For the Year Ended June 30, 2016

### Government-wide Financial Analysis

Over time, changes in net position serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$33,807,524 as of June 30, 2016.

The largest portion of the Town's net position (71%) reflects its investment in capital assets, net of depreciation (e.g., buildings, land, improvements, equipment, vehicles, infrastructure, and sewer and water utility systems), less any unmatured debt used to acquire or construct those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its 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. An additional portion of the Town's net position (\$4.0 million or 12%) represents resources that are restricted by enabling legislation on how they may be used. The remaining balance of unrestricted net position (17%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town reports positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities. Business-type activities reports positive balances in all net position categories.

### STATEMENT OF NET POSITION

A summary of government-wide assets, liabilities and net position is as follows:

#### CONDENSED STATEMENTS OF NET POSITION As of June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and other assets	\$ 8,424,982	\$ 7,438,785	\$ 4,777,983	\$ 6,180,834	\$ 13,202,965	\$ 13,619,619
Capital assets, net	12,997,693	13,075,465	22,237,081	22,153,202	35,234,774	35,228,667
<b>Total Assets</b>	<b>21,422,675</b>	<b>20,514,250</b>	<b>27,015,064</b>	<b>28,334,036</b>	<b>48,437,739</b>	<b>48,848,286</b>
<b>Deferred Outflows of Resources</b>	<b>135,547</b>	89,676	-	-	<b>135,547</b>	89,676
<b>Liabilities</b>						
Current liabilities	624,938	503,764	2,480,140	2,462,241	3,105,078	2,966,005
Long-term liabilities	6,588,228	5,847,323	5,056,340	5,564,361	11,644,568	11,411,684
<b>Total Liabilities</b>	<b>7,213,166</b>	6,351,087	<b>7,536,480</b>	8,026,602	<b>14,749,646</b>	14,377,689
<b>Deferred Inflows of Resources</b>	<b>16,116</b>	66,528	-	-	<b>16,116</b>	66,528
<b>Net Position</b>						
Net investment in capital assets	7,377,561	7,941,280	16,765,179	16,182,690	24,142,740	24,123,970
Restricted	3,971,150	3,918,158	-	-	3,971,150	3,918,158
Unrestricted	2,980,229	2,326,873	2,713,405	4,124,744	5,693,634	6,451,617
<b>Total Net Position</b>	<b>\$ 14,328,940</b>	\$ 14,186,311	<b>\$ 19,478,584</b>	\$ 20,307,434	<b>\$ 33,807,524</b>	\$ 34,493,745

## TOWN OF CENTREVILLE, MARYLAND

### Management's Discussion and Analysis For the Year Ended June 30, 2016

#### Government-wide Financial Analysis (continued)

The Town's net position decreased \$686,221 as of June 30, 2016. This decrease is a result of a \$142,629 increase in governmental activities and a \$828,850 decrease in business-type activities.

The governmental activities increased the Town's net position by \$142,629. Key elements are as follows:

- Charges for services increased as a result of an increase in fees charged to residents for trash removal. This increase is offset by the downturn in building permit applications and associated costs. Additionally, speed monitoring cameras installed in FY14 have provided steady Public Safety revenue in addition to accomplishing traffic calming measures.
- Operating and capital grants and contributions showed a slight decrease this fiscal year.
- There was substantial construction completed in the public works department, which was paid for with a combination of bond proceeds and fund reserves.
- Increased expenses in public works occurred as a result of Winter Storm Jonas in January 2016. These costs were offset by relief funds received from FEMA in FY17.
- There was a significant increase in local income tax revenue due to an under distribution of revenue by the Comptroller of Maryland for the years 2010 – 2014.

Business-type activities decreased the Town's net position by \$828,850. The components of the change in the business-type activities are as follows:

- Water and sewer service expenses decreased approximately \$60 thousand.
- Charges for services for water and sewer fees continued to increase slightly as a result of a rate increase that is being phased-in over a period of three years, beginning with the second quarter of FY15, with increases following in the second quarters of FY16 and FY17.
- Revenues related to water and sewer allocation fees and meter equipment have decreased as a result of decreased building permit applications due to a downturn in new construction.

# TOWN OF CENTREVILLE, MARYLAND

## Management's Discussion and Analysis For the Year Ended June 30, 2016

### Government-wide Financial Analysis (continued)

#### STATEMENT OF ACTIVITIES

The following table summarizes changes in net position for governmental and business-type activities during the year:

	CONDENSED STATEMENTS OF ACTIVITIES					
	For the Years Ended June 30, 2016 and 2015					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 573,434	\$ 500,748	\$ 1,607,919	\$ 1,754,927	\$ 2,181,353	\$ 2,255,675
Operating grants and contributions	615,680	703,396	-	-	615,680	703,396
Capital grants and contributions	-	-	180,000	-	180,000	-
General revenue:						
Property taxes	1,938,749	1,860,364	-	-	1,938,749	1,860,364
Other taxes	1,240,409	468,311	-	-	1,240,409	468,311
Other	362,493	288,713	11,542	25,684	374,035	314,397
<b>Total Revenue</b>	<b>4,730,765</b>	<b>3,821,532</b>	<b>1,799,461</b>	<b>1,780,611</b>	<b>6,530,226</b>	<b>5,602,143</b>
<b>Program Expenses</b>						
General government	834,959	833,693	-	-	834,959	833,693
Public safety	1,284,837	1,137,090	-	-	1,284,837	1,137,090
Public works	1,808,672	1,580,450	-	-	1,808,672	1,580,450
Parks and recreation	274,904	52,624	-	-	274,904	52,624
Cemetery	24,547	24,555	-	-	24,547	24,555
Stormwater/Watershed	69,273	222,951	-	-	69,273	222,951
Centreville wharf	52,476	35,727	-	-	52,476	35,727
Interest on long-term debt	238,469	246,579	-	-	238,469	246,579
Enterprise expenses						
Water services	-	-	1,433,151	1,007,797	1,433,151	1,007,797
Sewer services	-	-	1,183,070	1,420,669	1,183,070	1,420,669
Farm services	-	-	12,090	9,119	12,090	9,119
<b>Total Program Expenses</b>	<b>4,588,136</b>	<b>4,133,669</b>	<b>2,628,311</b>	<b>2,437,585</b>	<b>7,216,447</b>	<b>6,571,254</b>
<b>Change in Net Position</b>	<b>142,629</b>	<b>(312,137)</b>	<b>(828,850)</b>	<b>(656,974)</b>	<b>(686,221)</b>	<b>(969,111)</b>
Net position, beginning of year	14,186,311	14,498,448	20,307,434	20,964,408	34,493,745	35,462,856
<b>Net Position, End of Year</b>	<b>\$ 14,328,940</b>	<b>\$ 14,186,311</b>	<b>\$ 19,478,584</b>	<b>\$ 20,307,434</b>	<b>\$ 33,807,524</b>	<b>\$ 34,493,745</b>

**TOWN OF CENTREVILLE, MARYLAND**

**Management’s Discussion and Analysis  
For the Year Ended June 30, 2016**

**Government-wide Financial Analysis** (continued)

***Business-type Activities***

Revenue from the Town’s business-type activities was \$1,799,461 and expenses were \$2,628,311. The Enterprise Fund costs of operation are shared equally by the users. As with most municipalities throughout the United States these costs will continue to provide many challenges in the coming years due to aging infrastructure. The Town Council continues with its philosophy of having new development pay for any infrastructure improvements required to accommodate the demands placed on the Town’s infrastructure by the new development. With the continued slow growth, building activity has been at a minimum resulting in a slight decrease of residential and commercial allocation fee revenue.

***Governmental Activities***

Revenue from the Town’s governmental activities was \$4,730,765, while total expenses were \$4,588,136. The table below presents the cost of each of the Town’s seven largest services – general government, public safety, public works, parks and recreation, cemetery, stormwater/watershed management and Centreville wharf, as well as, each service’s net cost (total cost less fees generated by the activities and intergovernmental aid).

**NET COST OF CENTREVILLE'S GOVERNMENTAL ACTIVITIES  
For the Years Ended June 30, 2016 and 2015**

	<b>Total Cost of Services</b>		<b>Net Cost (Surplus) of Services</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
General government	\$ 834,959	\$ 833,693	\$ 395,000	\$ 413,440
Public safety	1,284,837	1,137,090	1,185,401	1,042,522
Public works	1,808,672	1,580,450	1,521,473	1,450,439
Parks and recreation	274,904	52,624	86,855	52,624
Cemetery	24,547	24,555	(21,659)	(24,484)
Stormwater/Watershed	69,273	222,951	(58,992)	(60,094)
Centreville wharf	52,476	35,727	52,476	65,110
<b>Total</b>	<b>\$ 4,349,667</b>	<b>\$ 3,887,090</b>	<b>\$ 3,160,553</b>	<b>\$ 2,939,557</b>

The net cost shows the financial burden that was placed on the Town’s taxpayers by each of these services.

**TOWN OF CENTREVILLE, MARYLAND**

**Management’s Discussion and Analysis  
For the Year Ended June 30, 2016**

**Government-wide Financial Analysis** (continued)

*Governmental Activities* (continued)

- The cost of all governmental activities this year, excluding interest, was approximately \$4.3 million. Some of that cost was financed by:
  - Those who directly benefited from the programs (\$573 thousand), or
  - Other governments and organizations that subsidized certain programs with grants and contributions (\$569 thousand).
- The Town financed the remaining \$2.9 million “public benefit” portion of governmental activities with taxes.

**REVENUE CLASSIFIED BY SOURCE  
GENERAL FUND  
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>Percent of Total</u>	<u>2015</u>	<u>Percent of Total</u>
Revenue and other financing sources				
General property taxes	\$ 2,000,308	52%	1,936,460	51%
Local income taxes	573,159	15%	414,631	11%
Licenses and permits	144,656	4%	145,757	4%
Charges for services	385,777	10%	354,241	9%
Intergovernmental	615,680	16%	688,396	18%
Miscellaneous	127,042	3%	104,583	3%
Operating transfers	-	0%	120,000	3%
<b>Total Revenue and other Operating Financing Sources</b>	<b>\$ 3,846,622</b>	<b>100%</b>	<b>\$ 3,764,068</b>	<b>100%</b>

General property taxes comprise the largest source of Town revenue, totaling \$2.0 million (52%) of total revenues for governmental activities for fiscal year 2016. Each municipality sets its own property tax rates, within parameters established by the State. For fiscal year 2016, the Town’s property tax rate remained constant at \$.38 per \$100 of assessed value of real property.

Charges for services, totaling \$386 thousand (10%), reflect fees charged to Town citizens. These primarily support public works, sanitation and waste removal, cemetery maintenance and upkeep, and various general government administrative services such as permit review, subdivision and site fees.

Local income taxes, totaling \$573 thousand or approximately 15% of total governmental revenue. This revenue source fluctuates with changes in personal income levels, the ups and downs of the economy and also has some association with unemployment rates during the fiscal year.

# TOWN OF CENTREVILLE, MARYLAND

## Management's Discussion and Analysis For the Year Ended June 30, 2016

### Government-wide Financial Analysis (continued)

#### *Governmental Activities* (continued)

**EXPENDITURES BY FUNCTION  
GENERAL FUND  
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>Percent of Total</u>	<u>2015</u>	<u>Percent of Total</u>
<b>Expenditures:</b>				
Current operations:				
General government	\$ 653,332	17%	\$ 817,382	21%
Public safety	1,198,719	32%	1,130,981	29%
Public works	1,121,980	29%	985,014	25%
Parks and recreation	243,623	6%	33,782	1%
Cemetery	23,578	1%	25,763	1%
Stormwater/Watershed	10,592	0%	175,290	5%
Centreville wharf	23,425	1%	9,246	0%
Capital outlays	13,071	0%	174,783	5%
Debt service:				
Principal	278,145	7%	270,005	7%
Interest	235,535	6%	246,579	6%
Fiscal charges	2,934	0%	-	0%
<b>Total</b>	<u>\$ 3,804,934</u>	<u>100%</u>	<u>\$ 3,868,825</u>	<u>100%</u>

### General Fund Budgetary Highlights

The Town adopts an operating budget as of July 1 each year and amends that budget throughout the year in response to actual events. The Schedule of Revenues and Expenditures - Budget and Actual can be found as part of the Required Supplementary Information, which is located after the Notes on pages 53 and 54. The schedule reports original and final budgets, as well as the variance between actual expenditures and final budget.

Reappropriation of budgeted amounts for fiscal year 2016 included increases to several areas of the budget including grant funding received, general government administration, capital vehicle purchases, and speed monitoring camera fee revenue.

# TOWN OF CENTREVILLE, MARYLAND

## Management's Discussion and Analysis For the Year Ended June 30, 2016

### Government-wide Financial Analysis (continued)

#### Capital Assets and Debt Administration

##### CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION As of June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,877,305	\$ 2,877,305	\$ 1,340,863	\$ 1,160,863	\$ 4,218,168	\$ 4,038,168
Buildings and improvements	9,775,185	9,110,462	20,477,026	20,382,020	30,252,211	29,492,482
Equipment	265,077	313,859	117,495	114,976	382,572	428,835
Construction in progress	80,126	773,839	301,697	495,343	381,823	1,269,182
<b>Total</b>	<b>\$ 12,997,693</b>	<b>\$ 13,075,465</b>	<b>\$ 22,237,081</b>	<b>\$ 22,153,202</b>	<b>\$ 35,234,774</b>	<b>\$ 35,228,667</b>

The Town's total investment in capital assets, including construction in progress, for its governmental and business-type activities amounts to approximately \$35.2 million as of June 30, 2016 and June 30, 2015, (net of accumulated depreciation). This investment in capital assets includes land and land improvements, construction in progress, buildings, improvements, equipment, furniture, fixtures, park amenities, vehicles, roads, and water and sewer infrastructure.

The Town's total investment in capital assets for the current fiscal year, net of depreciation, increased by approximately \$6 thousand. Of this amount, governmental investment in capital assets decreased by \$78 thousand, while business-type investment in capital assets increased by \$84 thousand.

This year's major capital additions included:

- Completion of upgrades to Broadway, including street, water and sewer infrastructure.
- Completion of upgrades to Hope Road included water and sewer infrastructure.
- Improvements to Millstream Park.
- Watershed improvements.
- Vehicles for the police department, a street sweeper and building upgrades for governmental activities.
- Vehicles for the proprietary fund.

Additional information can be found in Note 7 on pages 35-36 of this report.

# TOWN OF CENTREVILLE, MARYLAND

## Management's Discussion and Analysis For the Year Ended June 30, 2016

### Government-wide Financial Analysis (continued)

### Capital Assets and Debt Administration (continued)

#### *Debt administration*

At the end of the current fiscal year, the Town had total long-term debt outstanding of \$11.1 million in loans and bond commitments.

#### OUTSTANDING DEBT As of June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Mortgage loans	\$ 1,666,932	\$ 1,711,377	\$ -	\$ -	\$ 1,666,932	\$ 1,711,377
Loans from USDA	-	-	886,320	908,348	886,320	908,348
Bonds payable	3,953,200	4,186,900	4,585,582	5,062,164	8,538,782	9,249,064
Subtotal	5,620,132	5,898,277	5,471,902	5,970,512	11,092,034	11,868,789
Less undrawn proceeds	-	764,092	-	-	-	764,092
<b>Total</b>	<b>\$ 5,620,132</b>	<b>\$ 5,134,185</b>	<b>\$ 5,471,902</b>	<b>\$ 5,970,512</b>	<b>\$ 11,092,034</b>	<b>\$ 11,104,697</b>

Additional information on the Town's long-term debt is located in Note 8 starting on page 36-39 of this report.

### Subsequent Items for Future Financial Statements

The General Fund Budget for FY17 is based on a tax rate of \$0.41 per \$100 of assessment and is an increase from the FY16 rate of \$0.38. This rate increase combined with a slight increase in assessments will provide the Town with an additional \$207,000 in revenue.

In FY17 the Town has planned a number of infrastructure projects that involve the improvement of streets, water and sewer infrastructure. The cost of these projects will be funded with a bond issuance through the Maryland Department of Housing and Development's Community Development Administration. The bond issuance related to these projects totals \$5,097,840. Also a part of the bond issuance was the refinancing of two long-term debt instruments. The refinancing of these loans will produce a significant savings in interest expense in future years.

### Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department at 101 Lawyers Row, Centreville, Maryland 21617.

# TOWN OF CENTREVILLE, MARYLAND

## Statement of Net Position As of June 30, 2016

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 613,817	\$ 4,407,738	\$ 5,021,555
Investments	4,016,108	114,775	4,130,883
Accounts receivable - taxes	783,398	-	783,398
Accounts receivable - accounts - net	919,256	2,048,407	2,967,663
Accounts receivable - grants	170,767	-	170,767
Accounts receivable - interest	22,740	-	22,740
Note receivable	105,959	-	105,959
Due from/(to) other funds	1,792,937	(1,792,937)	-
<b>Total Current Assets</b>	<b>8,424,982</b>	<b>4,777,983</b>	<b>13,202,965</b>
Noncurrent Assets			
Construction in progress	80,126	301,697	381,823
Capital assets, net	12,917,567	21,935,384	34,852,951
<b>Total Noncurrent Assets</b>	<b>12,997,693</b>	<b>22,237,081</b>	<b>35,234,774</b>
<b>Total Assets</b>	<b>21,422,675</b>	<b>27,015,064</b>	<b>48,437,739</b>
<b>Deferred Outflows of Resources</b>	<b>135,547</b>	<b>-</b>	<b>135,547</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>21,558,222</b>	<b>27,015,064</b>	<b>48,573,286</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	249,623	102,252	351,875
Accrued payroll expense	56,217	9,095	65,312
Unearned revenue	-	1,953,231	1,953,231
Current portion of long term debt	286,675	415,562	702,237
Current portion of compensated absences	32,423	-	32,423
<b>Total Current Liabilities</b>	<b>624,938</b>	<b>2,480,140</b>	<b>3,105,078</b>
Noncurrent liabilities			
Compensated absences, net of current portion	104,136	-	104,136
OPEB liability	363,708	-	363,708
Net pension liability	786,927	-	786,927
Long term debt, net of current portion and unamortized discount	5,333,457	5,056,340	10,389,797
<b>Total Noncurrent Liabilities</b>	<b>6,588,228</b>	<b>5,056,340</b>	<b>11,644,568</b>
<b>Total Liabilities</b>	<b>7,213,166</b>	<b>7,536,480</b>	<b>14,749,646</b>
<b>Deferred Inflows of Resources</b>	<b>16,116</b>	<b>-</b>	<b>16,116</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>7,229,282</b>	<b>7,536,480</b>	<b>14,765,762</b>
<b>NET POSITION</b>			
Net investment in capital assets	7,377,561	16,765,179	24,142,740
Restricted	3,971,150	-	3,971,150
Unrestricted	2,980,229	2,713,405	5,693,634
<b>TOTAL NET POSITION</b>	<b>\$ 14,328,940</b>	<b>\$ 19,478,584</b>	<b>\$ 33,807,524</b>

The accompanying notes are an integral part of this financial statement.

# TOWN OF CENTREVILLE, MARYLAND

## Statement of Activities For the Year Ended June 30, 2016

Functions/Programs	Direct Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 834,959	\$ 239,884	\$ 200,075	\$ -	\$ (395,000)	\$ -	\$ (395,000)
Public safety	1,284,837	145	99,291	-	(1,185,401)	-	(1,185,401)
Public works	1,808,672	287,199	-	-	(1,521,473)	-	(1,521,473)
Parks and recreation	274,904	-	188,049	-	(86,855)	-	(86,855)
Cemetery	24,547	46,206	-	-	21,659	-	21,659
Stormwater/Watershed	69,273	-	128,265	-	58,992	-	58,992
Centreville wharf	52,476	-	-	-	(52,476)	-	(52,476)
Interest	238,469	-	-	-	(238,469)	-	(238,469)
Total Governmental Activities	<u>4,588,136</u>	<u>573,434</u>	<u>615,680</u>	<u>-</u>	<u>(3,399,022)</u>	<u>-</u>	<u>(3,399,022)</u>
Business-type Activities							
Sewer	1,183,070	867,741	-	-	-	(315,329)	(315,329)
Water	1,433,151	700,178	-	180,000	-	(552,973)	(552,973)
Farm	12,090	40,000	-	-	-	27,910	27,910
Total Business-type Activities	<u>2,628,311</u>	<u>1,607,919</u>	<u>-</u>	<u>180,000</u>	<u>-</u>	<u>(840,392)</u>	<u>(840,392)</u>
Total Primary Government	<u>\$ 7,216,447</u>	<u>\$ 2,181,353</u>	<u>\$ 615,680</u>	<u>\$ 180,000</u>	<u>(3,399,022)</u>	<u>(840,392.00)</u>	<u>(4,239,414)</u>
General Revenue:							
Taxes							
Property taxes					1,938,749	-	1,938,749
Public utility taxes					61,559	-	61,559
Income taxes					495,513	-	495,513
Income taxes - prior year allocation					683,337	-	683,337
Interest and investment earnings					96,605	11,542	108,147
Gains/change in FMV					150,908	-	150,908
Miscellaneous					114,980	-	114,980
Total General Revenue					<u>3,541,651</u>	<u>11,542</u>	<u>3,553,193</u>
<b>Change in Net Position</b>					142,629	(828,850)	(686,221)
Net position, beginning of year					14,186,311	20,307,434	34,493,745
<b>Net Position, End of Year</b>					<u>\$ 14,328,940</u>	<u>\$ 19,478,584</u>	<u>\$ 33,807,524</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF CENTREVILLE, MARYLAND**

**Balance Sheet – Governmental Funds  
As of June 30, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ 475,347	\$ -	\$ 138,470	\$ 613,817
Investments	89,585	-	3,926,523	4,016,108
Accounts receivable - taxes	783,398	-	-	783,398
Accounts receivable - accounts - net	155,164	764,092	-	919,256
Accounts receivable - grants	170,767	-	-	170,767
Accounts receivable - interest	-	52	22,688	22,740
Note receivable	105,959	-	-	105,959
Due from/(to) other funds	2,683,949	-	-	2,683,949
<b>TOTAL ASSETS</b>	<u>\$ 4,464,169</u>	<u>\$ 764,144</u>	<u>\$ 4,087,681</u>	<u>\$ 9,315,994</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 249,623	\$ -	\$ -	\$ 249,623
Accrued payroll	56,217	-	-	56,217
Due to other funds	-	764,092	126,920	891,012
<b>TOTAL LIABILITIES</b>	<u>305,840</u>	<u>764,092</u>	<u>126,920</u>	<u>1,196,852</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>701,654</u>	<u>-</u>	<u>-</u>	<u>701,654</u>
<b>FUND BALANCES</b>				
Non-spendable	105,959	-	3,960,761	4,066,720
Restricted	240,473	-	-	240,473
Committed	94,838	52	-	94,890
Unassigned	3,015,405	-	-	3,015,405
<b>TOTAL FUND BALANCES</b>	<u>3,456,675</u>	<u>52</u>	<u>3,960,761</u>	<u>7,417,488</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 4,464,169</u>	<u>\$ 764,144</u>	<u>\$ 4,087,681</u>	<u>\$ 9,315,994</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF CENTREVILLE, MARYLAND**

**Reconciliation of the Governmental Fund Balance to the Statement  
of Net Position  
As of June 30, 2016**

<b>Total Governmental Fund Balances</b>	\$ 7,417,488
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund statement	12,997,693
Receivables pertaining to revenues that are not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	701,654
Deferred inflows and outflows of resources related to pension	119,431
Long-term liabilities, including bonds and notes not due and payable in the current period and payable, OPEB, and compensated absences are, therefore, not reported in the funds.	<u>(6,907,326)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 14,328,940</u></u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF CENTREVILLE, MARYLAND**

**Statement of Revenue, Expenditures, and Change in Fund Balance – Governmental Fund  
For the Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>				
Property taxes	\$ 2,000,308	\$ -	\$ -	\$ 2,000,308
Local income taxes	573,159	-	-	573,159
Intergovernmental revenue	615,680	-	-	615,680
Licenses and permits	144,656	-	-	144,656
Charges for services	385,777	-	-	385,777
Miscellaneous revenue				
Other	114,980	-	-	114,980
Investment earnings	4,462	-	92,143	96,605
Gains, losses and changes in FMV	7,600	-	153,654	161,254
Fees	-	-	(10,346)	(10,346)
<b>Total Revenues</b>	<u>3,846,622</u>	<u>-</u>	<u>235,451</u>	<u>4,082,073</u>
<b>EXPENDITURES</b>				
General Government	653,332	-	-	653,332
Public safety	1,198,719	-	-	1,198,719
Public works	1,121,980	-	-	1,121,980
Parks and recreation	243,623	-	-	243,623
Cemetery	23,578	-	-	23,578
Storm water/watershed	10,592	-	-	10,592
Centreville wharf	23,425	-	-	23,425
Capital outlays	13,071	764,092	-	777,163
Debt service				
Principal	278,145	-	-	278,145
Interest	235,535	-	-	235,535
Fiscal charges	2,934	-	-	2,934
<b>Total Expenditures</b>	<u>3,804,934</u>	<u>764,092</u>	<u>-</u>	<u>4,569,026</u>
<b>Excess of revenues over (under) expenditures and other financing uses</b>	<u>41,688</u>	<u>(764,092)</u>	<u>235,451</u>	<u>(486,953)</u>
<b>Other financing sources (uses)</b>				
Proceeds from long-term debt	-	764,092	-	764,092
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>764,092</u>	<u>-</u>	<u>764,092</u>
<b>Excess of revenue and other financing sources over expenditures and other financing uses</b>	41,688	-	235,451	277,139
<b>Fund balance, beginning of year</b>	<u>3,414,987</u>	<u>52</u>	<u>3,725,310</u>	<u>7,140,349</u>
<b>Fund balance, end of year</b>	<u>\$ 3,456,675</u>	<u>\$ 52</u>	<u>\$ 3,960,761</u>	<u>\$ 7,417,488</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF CENTREVILLE, MARYLAND**

**Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balance –  
Governmental Fund to the Statement of Activities  
For the Year Ended June 30, 2016**

<b>Net Change in Fund Balances - Total Governmental Fund</b>	<b>\$ 277,139</b>
<b>Activities reported for governmental activities in the statement of activities are different because:</b>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense: this is the amount by which depreciation exceeded capital outlays in the current period.	(77,772)
Pension expense pertaining to the pension liability is not reported in the funds.	(59,691)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	605,691
Some expenses, representing the change in long-term liabilities or assets reported in the Statement of Activities, including compensated absences and OPB expenses, do not use current financial resources and are not reported as expenditures in the governmental funds.	(116,791)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	278,145
Proceeds from debt issuances are an other financing source in the funds, but a debt issuance increases long-term liabilities in the Statement of Net Position.	<u>(764,092)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 142,629</u></u></b>

The accompanying notes are an integral part of this financial statement.

**TOWN OF CENTREVILLE, MARYLAND**

**Statement of Net Position – Proprietary Fund  
As of June 30, 2016**

	<b>Enterprise Fund</b>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 4,407,738
Investments	114,775
Accounts receivable - accounts	2,048,407
Total Current Assets	<u>6,570,920</u>
Non-Current Assets	
Construction in progress	3,081
Capital assets, net	22,234,000
Total Noncurrent Assets	<u>22,237,081</u>
<b>TOTAL ASSETS</b>	<u>28,808,001</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 28,808,001</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 102,252
Accrued payroll expense	9,095
Unearned revenue	1,953,231
Due to other funds	1,792,937
Current portion of long-term debt	415,562
Total Current Liabilities	<u>4,273,077</u>
Noncurrent Liabilities	
Long-term debt, net of current liabilities	<u>5,056,340</u>
Total Noncurrent Liabilities	<u>5,056,340</u>
<b>TOTAL LIABILITIES</b>	<u>9,329,417</u>
<b>NET POSITION</b>	
Net investment in capital assets	16,765,179
Unrestricted	2,713,405
<b>TOTAL NET POSITION</b>	<u>19,478,584</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 28,808,001</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF CENTREVILLE, MARYLAND**

**Statement of Revenue, Expenses and Change in Fund Net Position – Proprietary Fund  
For the Year Ended June 30, 2016**

	<b>Enterprise Fund</b>
<b>Operating Revenue</b>	
Charges for services	\$ 1,607,919
<b>Total Operating Revenue</b>	<u>1,607,919</u>
<b>Operating Expenses</b>	
Salaries and benefits	931,323
Contractual services	324,508
Chemicals, labs and operating supplies	118,006
Utilities	197,901
Repairs and maintenance	116,674
Other operating	9,390
Depreciation	690,721
<b>Total Operating Expenses</b>	<u>2,388,523</u>
<b>Operating Loss</b>	<u>(780,604)</u>
<b>Non-Operating Revenue (Expenses)</b>	
Investment earnings	11,542
Administrative fees	(11,653)
Interest expense	(228,135)
Capital contribution revenue	180,000
<b>Net Non-operating Revenue (Expenses)</b>	<u>(48,246)</u>
<b>Change in net position</b>	(828,850)
Total net position, beginning of year	20,307,434
<b>Total Net Position, End of Year</b>	<u>\$ 19,478,584</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF CENTREVILLE, MARYLAND**

**Statement of Cash Flows – Proprietary Fund  
For the Year Ended June 30, 2016**

	<b>Enterprise Funds</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 1,955,192
Cash paid to suppliers, services etc.	(738,175)
Cash paid to employees	(928,564)
<b>Net Cash from Operating Activities</b>	<u>288,453</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of capital assets	(589,707)
Principal paid on debt	(498,610)
Loan administrative fees	(11,653)
Interest paid on capital debt	(228,135)
<b>Net Cash from Capital and Related Financing Activities</b>	<u>(1,328,105)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers from other funds	1,045,587
<b>Net Cash from Noncapital Financing Activities</b>	<u>1,045,587</u>
<b>Cash Flows from Investing Activities</b>	
Interest and dividends	11,542
<b>Net Cash from Investing Activities</b>	<u>11,542</u>
<b>Net increase in cash and cash equivalents</b>	17,477
Cash and cash equivalents, beginning of year	4,390,261
<b>Cash and cash equivalents and Restricted Cash, End of Year</b>	<u>\$ 4,407,738</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities:</b>	
Operating loss	\$ (780,604)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation expense	690,721
Changes in assets and liabilities:	
Change in accounts receivable	375,366
Change in accounts payable	31,063
Change in unearned revenue	(25,334)
Change in accrued expenses	(2,759)
<b>Net Cash from Operating Activities</b>	<u>\$ 288,453</u>

The accompanying notes are an integral part of this financial statement.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements For the Year Ended June 30, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **The Reporting Entity**

The Town of Centreville, Maryland (the Town) operates under a Council-Manager form of government. The Town's major operations include public safety, parks and recreation, public works, public cemetery, stormwater and watershed management, and general administrative services. In addition, the Town owns and operates a water and sewer system including a farm for spray irrigation.

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

In evaluating how to define the Town of Centreville, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set by the Governmental Accounting Standards Board. Component units are legally separate organizations for which the elected officials of the Town are financially accountable and a financial benefit or burden relationship exists. In addition, component units can be other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading. Based upon the application of criteria set by the Governmental Accounting Standards Board, there are no separate component units of the Town.

#### **Basis of Presentation – Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Town's funds are grouped into two broad fund categories.

Governmental funds include the General Fund, Permanent Fund, and Capital Projects Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The Permanent Fund is an investment fund in that only the fund's investment earnings may be used to support the government's programs. The Permanent Fund's principal is legally restricted from being used unless approved by the citizens of the government. The Capital Project Fund is to be used to account for capital outlays financed by general obligation debt for the acquisition or construction of major capital facilities.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements For the Year Ended June 30, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Basis of Presentation – Fund Accounting** (continued)

The Proprietary Fund includes the Enterprise Fund. The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Town operates one Enterprise Fund, the Water and Sewer Fund.

#### **Basis of Accounting - Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, including the reclassification or elimination of internal activity (between funds). This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenue, for each segment of the business-type activities of the Town, and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect costs are allocated to programs. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Program revenue include charges paid by the recipients of the goods or services offered by the programs, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue which is not classified as program revenue is presented as general revenue. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town. Net position should be reported as restricted when constraints placed on net position and the use is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements For the Year Ended June 30, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Fund Financial Statements**

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column.

#### **Governmental Funds**

Town activities pertaining to general government, public safety, public works, recreation, and culture are reported in the governmental funds. All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenue is recognized in the accounting period in which it becomes measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

#### **Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within two months of year-end and available to pay obligations of the current period). These include property taxes, franchise taxes, investment earnings, charges for services and intergovernmental revenue.

Some revenue, though measurable, is not available soon enough in the subsequent year to finance current period obligations. Therefore, some revenue is recorded as receivables and deferred inflows of resources.

Other revenue, including licenses and permits, certain charges for services, and miscellaneous revenue, is recorded as revenue when received in cash because it is generally not measurable until actually received.

#### **Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid.

Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements For the Year Ended June 30, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Proprietary Fund**

The Town's water and sewer activities are reported in the proprietary fund. The proprietary fund is accounted for using the accrual basis of accounting. This fund accounts for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenue is recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Operating revenue is comprised primarily of charges for services, and non-operating revenue is comprised primarily of interest and investment earnings.

#### **Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

#### **Investments**

Investments held at June 30, 2016 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

#### **Receivables**

Receivables are stated at costs with an allowance for doubtful accounts when, in the opinion of Town management, collection is doubtful.

Receivables at June 30, 2016 consist of taxes, grants, accounts (billings for user charged services, including utility services), special assessments, and accrued interest on investments. The Town calculates its allowance for uncollectible accounts using historical collection data, and in certain cases, specific account analysis. The allowance for uncollectible accounts in the general fund amounted to \$130,716 as of June 30, 2016.

#### **Inventory of Supplies**

Inventories, if any, are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds, and expenses in the proprietary type funds when used.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements For the Year Ended June 30, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar items 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 \$5,000 or more, and an estimated useful life in excess of one year. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. The Town recognizes intangible assets if identifiable, and are amortized over their useful lives if they do not have indefinite useful lives.

The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property and equipment are not reported in governmental funds. In the fund financial statements, the cost of assets acquired in the governmental funds is charged to the capital outlay expenditures of the department financing the acquisition. Depreciation is not reported in governmental funds.

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

Infrastructure	10-50 years
Land improvements	10-30 years
Buildings	20-50 years
Building improvements	10-40 years
Machinery and equipment	5-15 years
Water and sewer system	5-50 years
Vehicles	5-10 years

#### Restricted Reserves

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

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements For the Year Ended June 30, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Deferred Outflows and Inflows 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. Likewise, a deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

#### Interest Expense

Interest is expensed as incurred except when interest is incurred during the construction period, and is capitalized as part of the cost of the asset.

#### Compensated Absences

Permanent full-time employees are granted vacation benefits in varying amounts up to specified maximums, depending on tenure with the Town. Sick leave balances can be accumulated up to the maximum allowable per calendar year of 480 hours. An employee is entitled to receive payment for all unused vacation and 50% of the sick leave upon termination. The estimated current portion of the liability for vested vacation and sick leave benefits attributable to the Town's governmental funds is recorded as an expenditure and liability in the respective funds. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

#### Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue, expenditures, and expenses. Actual results could vary from the estimates that were used.

#### Equity Classifications

Equity is classified as net position and is displayed in three components:

*Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings, and reduced or increased by deferred inflows and outflows attributable to the acquisition, construction or improvement of those assets.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements For the Year Ended June 30, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Equity Classifications (continued)

*Restricted net position* – Consists of net position with constraints placed on their use either by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation and are reduced by liabilities and deferred inflows of resources related to those constraints.

*Unrestricted net position* – the remaining net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first and then unrestricted resources as needed.

#### Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

1. Non-Spendable Fund Balance – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts that can be spent only for specific purposes because of restrictions imposed externally by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by the Town Charter, Town Code or enabling legislation.
3. Committed Fund Balance – amounts that can be used only for specific purposes determined by a formal action by Town Council, the Town’s highest level of decision-making authority, ordinance or resolution.
4. Assigned Fund Balance – amounts that are constrained by the Town’s intent that they will be used for specific purposes but are neither restricted nor committed. Pursuant to the Town Charter, the Town Manager and the Town Council are authorized to assign amounts for specific purposes.
5. Unassigned Fund Balance – all amounts not included in other spendable classifications.

The Town considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The Town also considers committed fund balances should be spent first when other unrestricted fund balance classifications are available for use.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements For the Year Ended June 30, 2016

### 2. COMPLIANCE AND ACCOUNTABILITY

#### Budget Requirements, Accounting, and Reporting

##### **Requirements for all funds:**

Annual budgets are adopted for the Town's General and Capital Projects funds. At least 32 days prior to July 1 of each year, the Council is presented with a proposed budget. The Town Council may subsequently amend the budget, and the budget was amended during fiscal year 2016. For day-to-day management control, expenditures may not exceed budget at the department level. The department manager has the authority to apply amounts within the department, so long as the total appropriation for a department is not adjusted. All annual appropriations lapse at year-end. The Town prepares an annual operating budget on a basis consistent with generally accepted accounting principles.

### 3. DEPOSITS AND INVESTMENTS

#### **Deposit Policies**

The Town's authority to invest surplus cash is derived directly from State law. That law restricts investments to: Deposits in financial institutions insured by the Federal Depository Insurance Corporation (FDIC), U.S. Treasury and Agency securities, collateralized repurchase agreements, guaranteed bankers acceptances and the Maryland Local Government Investment Pool.

The Town's deposits are insured or collateralized with securities held by the Town, its agent, or by the pledging financial institution's trust department, or agent in the name of the Town.

#### **Deposits**

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned, or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by collateral. Collateral is to be held by the Town, its agent, or by the pledging financial institution's trust department or agent, in the name of the Town.

At year-end, the carrying amounts of the Town's deposits were \$5,753,494 and the bank balances totaled \$5,799,549. Of the bank balances, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC). CNB has issued an irrevocable letter of credit for \$10 million, balances maintained above the letter of credit limit are covered by securities held by CNB, pledged to secure the Town's deposits. All certificates of deposits are investments. At year end, the Town's bank balances were not exposed to any custodial credit risk because all deposits were fully insured or collateralized.

## TOWN OF CENTREVILLE, MARYLAND

### Notes to the Financial Statements For the Year Ended June 30, 2016

#### 3. DEPOSITS AND INVESTMENTS (continued)

##### Investment Policies

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town does not have a policy relating to interest rate risk.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by collateral. Collateral is to be held by the Town, its agent, or by the pledging financial institution's trust department or agent, in the name of the Town.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Town policy provides that investment collateral is held by a third party custodian with whom the Town has a current custodial agreement in the Town's name. Of the \$4,130,883 of investments, \$3,501,063 is held by National Financing Services, LLC (NFS), a Fidelity Investments company. Up to \$500,000 is protected with the Securities Investor Protection Corporation (SIPC). NFS provides supplemental coverage for total account net equity in excess of the SIPC coverage. The remaining investment balance of \$629,820 is collateralized with CNB as described above.

Generally, the Town's investing activities are managed by the Clerk-Treasurer and the Town Council. Investing is performed in accordance with investment policies adopted by the Town Council complying with State Statutes and the Town Charter. Town funds may be invested in: 1) Direct obligations of, or obligations insured or guaranteed by, the United States of America; 2) Bonds, debentures, notes, or other evidences of indebtedness issued by Bank of Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Land Banks, Government National Mortgage Association, Tennessee Valley Authority, and Washington Metropolitan Area Transit Authority; and 3) Time deposits or certificates of deposit secured by obligations described in 1 or 2 above.

**TOWN OF CENTREVILLE, MARYLAND**

**Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**3. DEPOSITS AND INVESTMENTS (continued)**

**Investments**

Cash and investments reported in the financial statements comprised of the following at June 30, 2016:

<u>Types of Investments</u>	<u>Fair Value / Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality / Ratings</u>
Bank deposits (checking accounts, saving accounts and certificates of deposit)	\$ 5,753,494	\$ 5,763,883	N/A
Federal National Mortgage Assn.	1,104,708	1,097,010	AAAm
Federal Home Loan Bank	1,334,379	1,404,145	AAAm
Federal Farm Credit Bank	742,176	740,266	AAAm
Tennessee Valley Authority	217,681	223,208	AAAm
	<u>\$ 9,152,438</u>	<u>\$ 9,228,512</u>	

Note: Ratings are provided where applicable to indicate associated Credit Risk.

N/A indicates not applicable.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements at June 30, 2016:

- U.S. Government and Agency securities of \$3,398,946 are valued using significant other observable inputs (Level 2 inputs)

**4. DUE FROM OTHER GOVERNMENTS**

At June 30, 2016, due from other governments, a component of taxes receivable was comprised of the following:

<u>General Fund</u>	
Highway user tax	\$ 7,731
Real estate tax	8,244
Income tax	767,397
Admissions tax, License dist (from MD)	26
	<u>\$ 783,398</u>

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements For the Year Ended June 30, 2016

### 5. INTERFUND TRANSFERS AND BALANCES

Generally, outstanding balances between funds, reported as “due to/from other funds,” include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding as of the end of the fiscal year are described as due 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.”

The following schedule reports receivables and payables within the reporting entity as of fiscal year-end:

	Due From Other Funds	Due to Other Funds	Net Balance
Governmental Activities			
General Fund	\$ 2,683,949	\$ -	\$ 2,683,949
Capital Projects Fund		764,092	(764,092)
Permanent Fund	-	126,920	(126,920)
Total Governmental Activities	<u>\$ 2,683,949</u>	<u>\$ 891,012</u>	<u>\$ 1,792,937</u>
Business-type Activities	<u>\$ -</u>	<u>\$ 1,792,937</u>	<u>\$ (1,792,937)</u>

### 6. PROPERTY TAX

Real estate and personal property taxes are levied based on the State of Maryland assessments. Property taxes include amounts levied against all real and public utility property located in the Town. Real property taxes are levied on the first day of July on the assessed value. When taxes are overdue a lien is placed against the property. Taxes are due and payable on the first day of July in the year for which they are levied and become overdue and in arrears on the first day of the following October. Penalties and interest are charged on any unpaid taxes. The property tax rate for fiscal year 2016 is \$.38 per \$100 of assessed value for real property, and the public utility property tax of \$1.06 per \$100 of assessed value. The Town has no personal property taxes.

**TOWN OF CENTREVILLE, MARYLAND**

**Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**7. CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
<b>Governmental activities:</b>				
Not being depreciated:				
Land	\$ 2,877,305	\$ -	\$ -	\$ 2,877,305
Construction in progress	773,839	544,066	(1,237,779)	80,126
Subtotal	<u>3,651,144</u>	<u>544,066</u>	<u>(1,237,779)</u>	<u>2,957,431</u>
Depreciable capital assets:				
Buildings and improvements	15,114,558	1,237,779	-	16,352,337
Equipment	1,445,918	168,325	(139,165)	1,475,078
Subtotal	<u>16,560,476</u>	<u>1,406,104</u>	<u>(139,165)</u>	<u>17,827,415</u>
Total capital assets	<u>20,211,620</u>	<u>1,950,170</u>	<u>(1,376,944)</u>	<u>20,784,846</u>
Accumulated depreciation:				
Buildings and improvements	6,004,096	573,056	-	6,577,152
Equipment	1,132,059	195,364	(117,422)	1,210,001
Subtotal, accumulated depreciation	<u>7,136,155</u>	<u>768,420</u>	<u>(117,422)</u>	<u>7,787,153</u>
<b>Total Capital Assets, Net</b>	<u>\$ 13,075,465</u>	<u>\$ 1,181,750</u>	<u>\$ (1,259,522)</u>	<u>\$ 12,997,693</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 12,773
Public safety	36,997
Public works	615,295
Parks and recreation	20,429
Stormwater/watershed	55,946
Centreville Wharf	26,980
Total	<u>\$ 768,420</u>

**TOWN OF CENTREVILLE, MARYLAND**

**Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**7. CAPITAL ASSETS AND DEPRECIATION (continued)**

	<u>Balance June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
<b>Business-type activities:</b>				
Not being depreciated:				
Land	\$ 1,160,863	\$ 180,000	\$ -	\$ 1,340,863
Construction in progress	495,343	662,567	(856,213)	301,697
Subtotal	<u>1,656,206</u>	<u>842,567</u>	<u>(856,213)</u>	<u>1,642,560</u>
Depreciable capital assets:				
Buildings and improvements	26,791,739	760,144	-	27,551,883
Equipment	409,892	28,102	-	437,994
Subtotal	<u>27,201,631</u>	<u>788,246</u>	<u>-</u>	<u>27,989,877</u>
Total capital assets	<u>28,857,837</u>	<u>1,630,813</u>	<u>(856,213)</u>	<u>29,632,437</u>
Accumulated depreciation:				
Buildings and improvements	6,409,719	665,138	-	7,074,857
Equipment	294,916	25,583	-	320,499
Subtotal, accumulated depreciation	<u>6,704,635</u>	<u>690,721</u>	<u>-</u>	<u>7,395,356</u>
<b>Total Capital Assets, Net</b>	<u>\$ 22,153,202</u>	<u>\$ 940,092</u>	<u>\$ (856,213)</u>	<u>\$ 22,237,081</u>

Depreciation expense was charged to business-type functions as follows:

Sewer	\$ 454,508
Water	<u>236,213</u>
Total	<u>\$ 690,721</u>

**Construction Improvements Impacting Environment Concerns**

The Town of Centreville previously partnered with American Rivers for a grant to perform a feasibility study in the Spring of 2012 for the removal of the dam at Gravel Run. The Town has since obtained several additional grants to assist with the design and removal/demolition of the dam. The Centreville Dam is ranked in the top 10% of all dams (nearly 4,000 blockages) in the Bay Watershed.

**8. LONG-TERM DEBT**

**Governmental Activities**

Bond payable, Community Development Administration Local Government Infrastructure Bonds 2007 Series A (Ambac Insured); payable in annual installments beginning May 1, 2008; interest at 4.225%; interest paid on unpaid principal installment amounts due and payable in semiannual payments commencing November 1, 2007; thereafter due first day of May and November each year; thereafter until maturity; the term for this obligation is 20 years. The principal balance outstanding as of June 30, 2016 was \$1,807,800.

## TOWN OF CENTREVILLE, MARYLAND

### Notes to the Financial Statements For the Year Ended June 30, 2016

#### 8. LONG-TERM DEBT (continued)

Bond payable, Community Development Administration Local Government Infrastructure Bonds 2012 Series A (Ambac Insured); payable in annual installments beginning May 1, 2013; interest at 3.562%; interest paid on unpaid principal installment amounts due and payable in semiannual payments commencing November 1, 2012; thereafter due first day of May and November each year; thereafter until maturity; the term for this obligation is 20 years. The principal balance outstanding at June 30, 2016 was \$2,145,400.

Note payable, Centreville National Bank; payable in monthly installments of \$10,567, including principal and interest at 4.79%; final payment due June 7, 2037. The principal balance outstanding at June 30, 2016 was \$1,666,929.

#### Business-Type Activities

Bond payable, Community Development Administration Local Government Infrastructure Bonds 2007 Series A (Ambac Insured); payable in annual installments beginning May 1, 2008; interest at 4.225%; interest paid on unpaid principal installment amounts due and payable in semiannual payments commencing November 1, 2007; thereafter due first day of May and November each year; thereafter until maturity; the term for this obligation is 20 years. The principal balance outstanding at June 30, 2016 was \$1,640,375.

Bond payable, Community Development Administration Local Government Infrastructure Bonds 2007 Series A-1 (Ambac Insured); payable in annual installments beginning May 1, 2008; interest at 4.35%; interest paid on unpaid principal installment amounts due and payable in semiannual payments commencing November 1, 2007; thereafter due first day of May and November each year; thereafter until maturity; the term for this obligation is 30 years. The principal balance outstanding at June 30, 2016 was \$1,538,000.

The balance of undrawn proceeds as of June 30, 2016 for the Bond Payable, Community Development Administration Local Government Bonds 2007 Series A and Series A-1 (Ambac Insured) is \$0.

Loan payable, United States Department of Agriculture, Rural Development Loan; interest at 4.25%; payable on a quarterly basis beginning December 27, 2003; due September 29, 2043; unsecured. The principal balance outstanding at June 30, 2016 was \$886,320.

Bond payable, Drinking Water Bond, Series 2010, payable in annual installments beginning February 1, 2011; interest at 1%; interest paid on the unpaid principal amounts advanced under the loan agreement started on August 1, 2010 and semi-annually thereafter on the first day of August and February each year through February, 2018; maximum principal amount of loan commitment is \$2,300,000. Final principal amount advanced was \$912,870. An annual fee of \$6,661 is paid by the Town to MDE for administering the loan. The principal balance outstanding at June 30, 2016 was \$232,251.

**TOWN OF CENTREVILLE, MARYLAND**

**Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**8. LONG-TERM DEBT (continued)**

**Business-Type Activities (continued)**

Bond payable, Water Quality State Revolving Fund Bond, Series 2009 American Recovery and Reinvestment Act (ARRA), payable in annual installments beginning February 1, 2011; interest at 1%; interest paid on the unpaid principal amounts advanced under the loan agreement started on August 1, 2010 and semi-annually thereafter on the first day of August and February each year through February, 2027; maximum principal amount of loan commitment is \$2,281,000. Final principal amount advanced was \$1,812,481. An annual fee of \$6,318 is paid by the town to MDE for administering the loan. The principal balance outstanding at June 30, 2016 was \$1,174,956.

The Town of Centreville also maintains a revolving line of credit in the amount of \$250,000 from CNB. The interest rate on the line of credit is variable. The interest rate to be applied to any unpaid principal balance during the note will be at a rate of 2.89 percentage points under the then current Index and rounded to the nearest 0.125 percent. There are currently no amounts outstanding on the line of credit.

The changes in long-term debt during the year ended June 30, 2016 follows:

	<b>Water and Sewer Fund</b>	<b>Capital Projects Fund</b>	<b>General Long-term Debt</b>	<b>Compensated Absences</b>	<b>OPEB</b>	<b>Net Pension Liability</b>	<b>Total</b>
Beginning balance, July 1, 2015	\$ 5,970,512	\$ 3,422,808	\$ 1,711,377	\$ 100,767	\$ 282,708	\$ 607,805	\$ 12,095,977
Increase	-	764,092	-	35,792	81,000	179,122	880,884
Decrease	(498,610)	(233,700)	(44,445)	-	-	-	(776,755)
Ending Balance, June 30, 2016	<u>\$ 5,471,902</u>	<u>\$ 3,953,200</u>	<u>\$ 1,666,932</u>	<u>\$ 136,559</u>	<u>\$ 363,708</u>	<u>\$ 786,927</u>	<u>\$ 12,379,228</u>
Total long-term debt, governmental		<u>\$ 3,953,200</u>	<u>\$ 1,666,932</u>	<u>\$ 136,559</u>	<u>\$ 363,708</u>	<u>\$ 786,927</u>	<u>\$ 6,907,326</u>
Total long-term debt, business-type	<u>\$ 5,471,902</u>						
Amounts due in one year	<u>\$ 415,562</u>	<u>\$ 239,800</u>	<u>\$ 46,875</u>	<u>\$ 32,423</u>			

Long term debt service requirements are as follows:

<b>For the Years Ending June 30,</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 286,675	\$ 226,235	\$ 512,910
2018	297,303	211,140	508,443
2019	309,647	205,165	514,812
2020	319,012	194,530	513,542
2021	329,894	187,839	517,733
2022-2026	1,855,077	708,059	2,563,136
2027-2031	1,390,013	349,478	1,739,491
2032-2036	708,865	105,551	814,416
2037-2043	123,646	3,278	126,924
Total	<u>\$ 5,620,132</u>	<u>\$ 2,191,275</u>	<u>\$ 7,811,407</u>

**TOWN OF CENTREVILLE, MARYLAND**

**Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**8. LONG-TERM DEBT (continued)**

**Business-Type Activities (continued)**

<u>For the Years Ending June 30,</u>	<u>Business Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 415,562	\$ 184,794	\$ 600,356
2018	421,281	174,762	596,043
2019	314,718	164,514	479,232
2020	324,685	154,985	479,670
2021	334,701	145,137	479,838
2022-2026	1,821,026	565,543	2,386,569
2027-2031	741,385	312,681	1,054,066
2032-2036	659,596	178,600	838,196
2037-2043	438,948	57,289	496,237
Total	<u>\$ 5,471,902</u>	<u>\$ 1,938,305</u>	<u>\$ 7,410,207</u>

The above payment schedules assume all remaining undrawn proceeds are drawn down. Interest expense was \$235,535 and \$228,135 for the governmental activities and the business-type activities, respectively, for the year ended June 30, 2016.

**9. FUND BALANCE REPORTING**

Fund balances for the Town’s governmental funds consisted of the following as of June 30, 2016:

**Non-spendable Fund Balance**

At June 30, 2016, non-spendable fund balance was \$105,959 pertaining to notes receivable in the general fund and \$3,960,761 pertaining to principal in the permanent fund.

**Restricted Fund Balance**

At June 30, 2016, restricted fund balance was \$240,473 to perpetual care in the general fund.

**Committed Fund Balance**

At June 30, 2016, committed fund balance was \$94,838 pertaining to revolving housing funds of \$52 for future capital projects in the capital projects fund.

**Unassigned Fund Balance**

Unassigned fund balance totaled \$3,015,405 in the general fund.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements For the Year Ended June 30, 2016

### 10. RETIREMENT PLAN

The Town participates in the Maryland State Pension System (the “System”) described below 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 of the net pension liability is based on total System contributions and approximates \$786,927 as of the measurement date of June 30, 2015.

The Town’s fiscal 2016 contribution of \$70,145 is therefore recognized as a pension-related deferred outflow of resources.

The Town of Centreville entered into the Employees Contributory Pension System of the State Retirement and Pension Systems of Maryland as of July 1, 2013. The Town’s actuarial accrued liability to enter into the system was calculated based on the current employees at June 30, 2013 for 100% of past service. The Town’s actuarial accrued liability to enter into the system was \$713,200 of which \$455,467 was allocated to the General Fund and \$257,733 was allocated to the Enterprise Fund. This was to be amortized over the next 25 years with level payments or paid in full. The Town elected to pay in full.

#### A. Description of Plan

The State of Maryland identifies multiple-employer defined benefit pension plans as cost-sharing plans.

The Employees’ Pension System of the State of Maryland (Pension System) was established January 1, 1980. The Pension System covers employees hired after December 31, 1979, as well as Retirement System participants who have voluntarily joined the Pension System. The Employees Contributory Pension System of the State of Maryland (Contributory Pension System) was established July 1, 1998. The Town elected to participate in the Contributory Pension System during fiscal year 2010.

Under the terms of the Contributory Pension System, a member hired may retire with full benefits upon attaining age 60 or after completing 30 years of eligible service regardless of age. A member may retire with reduced benefits prior to attaining age 60 after completing 25 years of eligible service. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested retirement allowance upon age 60.

## TOWN OF CENTREVILLE, MARYLAND

### Notes to the Financial Statements For the Year Ended June 30, 2016

#### 10. RETIREMENT PLAN (continued)

##### A. Description of Plan (continued)

Under the terms of the Contributory Pension System, a member hired before July 1, 2011 may retire after 30 years of service regardless of age; at age 65 with two years of service; at age 64 with three years of service; at age 63 with four years of service; or at age 62 with at least five years of service. An employee hired before July 1, 2011 may also take early retirement with reduced benefits at age 55 with 15 years of service. A member hired before July 1, 2011 terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested pension allowance upon reaching age 62. Members hired on or after July 1, 2011 may retire when their age and years of eligibility service totals 90 years or at age 65 with 10 years of eligibility service. Members hired on or after July 1, 2011 may retire with reduced benefits at age 60 with 15 years of eligibility service. A member hired on or after July 1, 2011 terminating employment before attaining retirement age, but after completing ten years of eligible service becomes eligible for a vested pension allowance upon reaching age 65.

On retirement from service, a member of any of these plans shall receive an annual service retirement allowance based on the member's average final compensation and years of creditable service multiplied by a factor. This factor varies from 1.2% to 2.0% per eligible service year, depending on employee/employer contributions and other plan-specific provisions. Early retirement, where available, is subject to provisions that reduce the benefit received.

Benefits are established under the State Personnel and Pensions Article of the Annotated Code of Maryland. The plan is administered by the Maryland State Retirement Agency.

The MSRPS issues annual financial statements which are publicly available at [www.sra.state.md.us](http://www.sra.state.md.us) or may be obtained by writing to the State Retirement and Pension System of Maryland, 301 West Preston Street, Baltimore, MD 21201, or by calling 1-800-492-5909.

**TOWN OF CENTREVILLE, MARYLAND**

**Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**10. RETIREMENT PLAN** (continued)

**A. Description of Plan** (continued)

*Funding Policy*

Obligations to contribute to the plans are under the Annotated Code of Maryland. Members of the pension plan contribute 10% of annual compensation during employment. The required contribution rate is determined on an actuarially determined basis. During the year ended June 30, 2016 the Town contributed \$70,145. The Town contributed 100% of its required contribution for the year ended June 30, 2016. For members of the pension plan, full service pension allowances equal 2% of average final compensation (AFC) up to a maximum benefit of 60% of AFC (30 years of credit).

*Actuarial assumptions*

The key actuarial assumptions used to perform the June 30, 2016 pension liability calculation are as follows:

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Inflation	2.95% General, 3.45% Wage
Salary Increases	3.45% to 10.70%, including inflation
Investment Rate of Return	7.55%

Mortality rates were based on the RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements For the Year Ended June 30, 2016

### 10. RETIREMENT PLAN (continued)

#### 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 percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Pension System's Board after considering input from the investment consultant(s) and actuary(s). 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:

<b>Asset Class</b>	<b>Target Allocations</b>	<b>Long-term Expected Real Rate of Return</b>
Public equity	35%	6.30%
Fixed income	10%	0.60%
Credit opportunity	10%	3.20%
Real return	14%	1.80%
Absolute return	10%	4.20%
Private equity	10%	7.20%
Real estate	10%	4.40%
Cash	1%	0.00%
Total	100%	

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

#### Discount Rate

A single discount rate of 7.55% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this 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.

**TOWN OF CENTREVILLE, MARYLAND**

**Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**10. RETIREMENT PLAN (continued)**

**Sensitivity of 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 of 7.55%, a single discount rate that is 1-percentage point lower (i.e., 6.55%), and a single discount rate that is 1-percentage point higher (i.e., 8.55%).

	<b>1.0% decrease (6.55%)</b>	<b>Current Rate 7.55%</b>	<b>1.0% increase (8.55%)</b>
Net Pension Liability	<u>\$ 1,112,201</u>	<u>\$ 786,927</u>	<u>\$ 517,210</u>

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the Town reported a liability of \$786,927 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined.

For the year ended June 30, 2016, the Town recognized pension expense of \$76,756. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Change of assumptions	\$ 45,986	\$ -
Net difference between projected and actual earnings on pension plan investments	19,416	-
Difference between actual and expected experience	-	16,116
Contributions subsequent to the measurement date	70,145	-
Total	<u>\$ 135,547</u>	<u>\$ 16,116</u>

**TOWN OF CENTREVILLE, MARYLAND**

**Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**10. RETIREMENT PLAN (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and  
Deferred Inflows of Resources Related to Pensions (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources are related to pension, which will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2017	\$ 6,773
2018	6,773
2019	6,773
2020	21,207
2021	7,759

**11. OTHER POST EMPLOYMENT BENEFITS**

The Town provides a post-employment medical insurance benefit and a prescription health reimbursement expense account to employees who retire from employment with a minimum of twenty-five years of service. These post-employment benefits are subject to change at any time. The Town has not yet established a formal policy nor has it restricted any funds for the Plan. Currently, the employer's contributions are financed on a pay-as-you-go basis, and the future payment of these benefits is contingent upon the annual approval of the operating budget.

The medical benefits paid by the Town on behalf of the retirees were \$5,396, for the year ended June 30, 2016.

Membership in the plan consisted of the following as of July 2013 actuarial valuation:

<u>Plan Participants</u>	
Retirees currently receiving benefits	
Retirees ( Medical Age)	2
Active employees	<u>28</u>
Total	<u><u>30</u></u>

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements For the Year Ended June 30, 2016

### 11. OTHER POST EMPLOYMENT BENEFITS (continued)

The Town of Centreville is considered a small single-employer plan with regards to implementing GASB 45 standards. The Town is able to prepare the estimate of the AAL and ARC using simplified methods and assumptions known as the Alternative Measurement Method. The standards allow the smallest single-employer plans – those with fewer than 100 members – to estimate the AAL and the ARC using simplified methods and assumptions. The Town’s OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was determined using the Alternative Measurement Method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Town’s net OPEB obligation:

Annual required contribution (normal cost)	\$	107,000
Adjustment to annual required contribution		(14,000)
Interest on net OPEB obligation		11,000
Annual OPEB cost		<u>104,000</u>
Contributions made		<u>(23,000)</u>
Increase in net OPEB obligation		81,000
Net OPEB obligation - beginning of year		282,708
Net OPEB obligation - end of year	\$	<u><u>363,708</u></u>

The Town is not required by law or contractual agreement to provide funding for retiree benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees. The Town may contribute those amounts that the Town Council of Centreville appropriates. The accrued liability for benefits and unfunded actuarial accrued liability (UAAL) was \$1,004,000 and the actuarial value of assets was \$0 at June 30, 2016. The covered payroll (annual payroll of active employees covered by the Program) was \$1,247,730. The ratio of the unfunded actuarial liability to the covered payroll was 80.46%. The Program does not issue a publicly available financial report.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the ARC of the Town are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information, presents the results of OPEB valuations as of June 30, 2015; going forward, the schedule will eventually provide multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## **TOWN OF CENTREVILLE, MARYLAND**

### **Notes to the Financial Statements For the Year Ended June 30, 2016**

#### **11. OTHER POST EMPLOYMENT BENEFITS (continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The annual required contribution for the current year was determined as part of the December 2010 alternative measurement method using the entry age cost method; it is being amortized over a period of 30 years. The actuarial assumptions include a 4 percent investment rate of return. The funding method is level percentage of projected payroll. Payroll is assumed to increase at 2 percent per annum. This assumption is used to determine the level percentage of payroll amortization factor.

#### **12. COMMITMENTS AND CONTINGENCIES**

##### **Grants**

The Town receives grants from time-to-time. Expenditures from certain grants are subject to audit by the grantor, and the Town is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the Town's management, no material refunds will be required as a result of disallowed expenditures.

## **TOWN OF CENTREVILLE, MARYLAND**

### **Notes to the Financial Statements For the Year Ended June 30, 2016**

#### **13. COMMITMENTS AND CONTINGENCIES (continued)**

##### **Public Works Agreements**

The Town has entered into several Public Works Agreements (PWA's) with developers for projects within the Town. Water and sewer allocations have been reserved under PWA agreements from the existing wastewater treatment facilities for either residential or commercial development. In each case, developers have paid fees to reserve capacity.

To ensure that the developers associated with the PWA's satisfy their obligations under their respective agreements, the Town required the issuance of letters of credit for various amounts. These letters of credit remained unused and totaled approximately \$2.8 million, as of June 30, 2016.

##### **Employment Contracts**

The Town has employment agreements with its Town Manager commencing March 2013 which provides that the Town Manager shall serve for an indefinite period at the pleasure of the Council, this employment contract remaining in effect until terminated by the Town or the Town Manager. The Town also has an employment contract with its Chief of Police commencing April 2010. The Chief of Police's contract shall automatically renew for another one-year term until terminated. Both contracts may be terminated by either the Town or the employee.

##### **Contractual Agreements**

The Town has an annual renewable agreement with Maryland Environmental Service (MES) to provide monitoring, laboratory, and reporting services to the Town. The Town of Centreville has committed to a contract with MES to provide support services. This contract provides supervision to the Town's Water and Wastewater plant operators. This contract continues month-to-month until terminated.

As of June 2010, the Town awarded a contract to Bates Trucking and Trash Removal, Inc. to provide curbside garbage collection and single stream recycling to eligible residents and businesses of the Town. The contract term beginning September 2010 is for a two year period and provides the Town the ability to extend the contract for three additional one year terms. The Town has renewed the contract for each additional year through September 2014. The contract was extended through December, 2015. The total estimated cost of the service is \$152,640. The Town awarded a contract with Chesapeake Waste for garbage collection and single stream recycling. The contract term beginning January, 2016 through June, 2017 and provides for four additional one year terms. The total estimated cost of the service is \$330,143.

## TOWN OF CENTREVILLE, MARYLAND

### Notes to the Financial Statements For the Year Ended June 30, 2016

#### 13. COMMITMENTS AND CONTINGENCIES (continued)

##### **Contractual Agreements** (continued)

AECOM, formerly known as URS, is under contract to provide engineering consulting to the Town. Services are billed based upon time and materials. Hourly rates are set on December 1 of each year.

##### **Borrowing Limit**

In connection with the debt acquired in aggregate of \$11,092,034, the Town, by Charter Amendment, agreed to limit the amount of money it can borrow to an amount not to exceed twenty percent (20%) of its assessable tax base of \$528,730,882. Currently, the borrowing limit is \$105,746,176.

##### **Litigation**

In the normal course of business, the Town is a defendant in several lawsuits which management is vigorously defending. No contingency has been established because neither the outcome of the cases nor the amount of an award, if any, can be determined. The Town's attorney and the insurance carrier are defending these matters.

#### 14. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 72, entitled *Fair Value Measurement and Application*; Statement No. 76; entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*; These statements did not have a material effect on the Town's financial statements.

The GASB has also issued Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; and GASB Statement No. 77; entitled, *Tax Abatement Disclosures*, which will require adoption in the future, if applicable. These statements may or will have a material effect on the Town's financial statements once implemented. The Town will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

**REQUIRED SUPPLEMENTARY INFORMATION**

## TOWN OF CENTREVILLE, MARYLAND

### Schedule of the Town's Proportionate Share of the Net Pension Liability For the Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>
Town's proportion (%) of collective net pension liability	<b>0.003790%</b>	0.003420%
Town's proportionate share (\$) of collective net pension liability	\$ <b>786,927</b>	\$ 607,805
Town's covered-employee payroll (\$)	<b>1,617,811</b>	1,402,901
Town's proportionate share of collective net pension liability as a percentage of its covered-employee payroll	<b>48.64%</b>	43.32%
Pension plan's fiduciary net position as a percentage of the total pension liability	<b>68.78%</b>	71.87%

The above schedule are 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.

**TOWN OF CENTREVILLE, MARYLAND**

**Schedule of the Town's Pension Plan Contributions  
For the Year Ended June 30, 2016**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	<b>\$ 70,145</b>	\$ 80,884
Contributions in relation to the contractually required contribution	<b>70,145</b>	80,884
Contribution deficiency (excess)	-	-
Town's covered-employee payroll	<b>1,617,811</b>	1,402,901
Contributions as a percentage of covered-employee payroll	<b>4.3%</b>	5.8%

The above schedule are 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.

**TOWN OF CENTREVILLE, MARYLAND**

**Schedule of Revenue and Expenditures Budget and Actual (Budgetary Basis) - General Fund  
For the Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUE</b>				
Revenues from local sources				
General property taxes	\$ 1,874,408	\$ 1,936,646	\$ 2,000,308	\$ 63,662
Local income taxes	443,905	507,416	573,159	65,743
Aide to towns	7,700	7,700	-	(7,700)
Highway user tax	121,148	123,400	123,278	(122)
State & waste removal	264,500	286,900	284,429	(2,471)
State aid for police protection	88,243	100,994	99,291	(1,703)
Total taxes	<u>2,799,904</u>	<u>2,963,056</u>	<u>3,080,465</u>	<u>117,409</u>
Licenses and permits	<u>155,500</u>	<u>145,438</u>	<u>144,656</u>	<u>(782)</u>
Intergovernmental	<u>73,500</u>	<u>331,059</u>	<u>393,111</u>	<u>62,052</u>
Charges for services				
General government	92,330	54,300	55,142	842
Cemetery	45,050	39,000	46,206	7,206
Public safety	95,000	71,728	40,474	(31,254)
Total charges for services	<u>232,380</u>	<u>165,028</u>	<u>141,822</u>	<u>(23,206)</u>
Miscellaneous				
Interest income	5,215	5,215	4,462	(753)
Donations	35,500	8,000	9,180	1,180
Other income	11,705	39,251	72,926	33,675
Total miscellaneous	<u>52,420</u>	<u>52,466</u>	<u>86,568</u>	<u>34,102</u>
Other Financing Sources				
Transfer In	120,000	120,000	-	-
Reserve Transfer	57,174	29,803	-	-
Total Other Financing Sources	<u>177,174</u>	<u>149,803</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u><u>\$ 3,490,878</u></u>	<u><u>\$ 3,806,850</u></u>	<u><u>\$ 3,846,622</u></u>	<u><u>\$ 189,575</u></u>

**TOWN OF CENTREVILLE, MARYLAND**

**Schedule of Revenue and Expenditures Budget and Actual (Budgetary Basis) - General Fund  
For the Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES</b>				
Town administration				
Council	\$ 37,950	\$ 33,000	\$ 29,853	\$ 3,147
Administration	832,635	832,635	825,060	7,575
Mainstreet	20,400	23,424	23,425	(1)
Planning and zoning	72,200	55,000	49,651	5,349
General services	12,650	12,650	10,592	2,058
Total town administration	<u>975,835</u>	<u>956,709</u>	<u>938,581</u>	<u>18,128</u>
Public safety				
Police department	1,177,564	1,177,564	1,153,719	23,845
Emergency services	45,000	45,000	45,000	-
Total public safety	<u>1,222,564</u>	<u>1,222,564</u>	<u>1,198,719</u>	<u>23,845</u>
Public works				
Roads	967,758	1,012,000	1,002,160	9,840
Solid waste	246,450	359,993	341,771	18,222
Cemetery	20,650	22,165	23,578	(1,413)
Parks	32,620	245,000	243,623	1,377
Total public works	<u>1,267,478</u>	<u>1,639,158</u>	<u>1,611,132</u>	<u>28,026</u>
Debt Service				
Roads	392,192	392,192	389,814	2,378
Park/Marina	126,800	126,800	126,800	-
General government	16,192	-	-	-
Total debt service	<u>535,184</u>	<u>518,992</u>	<u>516,614</u>	<u>2,378</u>
Other				
Cost transfer to enterprise fund	(578,183)	(578,183)	(578,183)	-
Transfer to capital projects	40,000	21,000	13,071	7,929
General insurance	28,000	26,610	-	26,610
Total other	<u>(510,183)</u>	<u>(530,573)</u>	<u>(565,112)</u>	<u>34,539</u>
<b>TOTAL EXPENDITURES</b>	<u>3,490,878</u>	<u>3,806,850</u>	<u>3,699,934</u>	<u>106,916</u>
Excess (deficiency) of revenue over expenditures before other financing	-	-	146,688	(146,688)
<b>OTHER FINANCING SOURCES</b>				
Proceeds from long term debt	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,688</u>	<u>\$ (146,688)</u>

**TOWN OF CENTREVILLE, MARYLAND**

**Schedule of Funding Progress Other Post-Employment Benefit Plan  
For the Year Ended June 30, 2016**

Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/2014	\$ -	\$ 1,004,000	\$ 1,004,000	0.00%	\$ 1,247,730	80.47%
7/2013	-	850,000	850,000	0.00%	1,247,730	68.12%
12/2010	-	163,905	163,905	0.00%	1,405,475	11.66%

**TOWN OF CENTREVILLE, MARYLAND**

**Schedule of Employer Contributions Other Post-Employment Benefits Plan  
For the Year Ended June 30, 2016**

<u>Fiscal Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 104,000	22%	\$ 363,708
2015	98,000	10%	282,708
2014	93,000	10%	200,808
2013	29,177	0%	116,708
2012	29,177	0%	87,531
2011	29,177	0%	58,354

## **SUPPLEMENTAL SCHEDULES**

**TOWN OF CENTREVILLE, MARYLAND**

**Supplemental Balance Sheet – General Fund  
As of June 30, 2016**

	<u>General Fund</u>	<u>Revolving Housing Fund</u>	<u>Perpetual Care Fund</u>	<u>Total General Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ 392,548	\$ 26,971	\$ 55,828	\$ 475,347
Investments	-	-	89,585	89,585
Accounts receivable - taxes	783,398	-	-	783,398
Accounts receivable - other - net	143,817	-	11,347	155,164
Accounts receivable - grants	170,767	-	-	170,767
Notes receivable	-	105,959	-	105,959
Due from other funds	2,532,369	67,867	83,713	2,683,949
<b>TOTAL ASSETS</b>	<u>4,022,899</u>	<u>200,797</u>	<u>240,473</u>	<u>4,464,169</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
	<u>\$ 4,022,899</u>	<u>\$ 200,797</u>	<u>\$ 240,473</u>	<u>\$ 4,464,169</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 249,623	\$ -	\$ -	\$ 249,623
Accrued payroll	56,217	-	-	56,217
Due to other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>305,840</u>	<u>-</u>	<u>-</u>	<u>305,840</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	701,654	-	-	701,654
<b>FUND BALANCES</b>				
Non-spendable	-	105,959	-	105,959
Restricted	-	-	240,473	240,473
Committed	-	94,838	-	94,838
Unassigned	3,015,405	-	-	3,015,405
<b>TOTAL FUND BALANCES</b>	<u>3,015,405</u>	<u>200,797</u>	<u>240,473</u>	<u>3,456,675</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
	<u>\$ 4,022,899</u>	<u>\$ 200,797</u>	<u>\$ 240,473</u>	<u>\$ 4,464,169</u>

**TOWN OF CENTREVILLE, MARYLAND**

**Supplemental Statement of Revenue, Expenses  
and Changes in Net Position – General Fund  
For the Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Revolving Housing Fund</u>	<u>Perpetual Care Fund</u>	<u>Total General Funds</u>
<b>Revenue</b>				
Property taxes	\$ 2,000,308	\$ -	\$ -	\$ 2,000,308
Local income taxes	573,159	-	-	573,159
Intergovernmental revenue	615,680	-	-	615,680
Licenses and permits	144,656	-	-	144,656
Charges for services	378,514	-	7,263	385,777
Miscellaneous revenue	126,966	-	76	127,042
<b>Total Revenue</b>	<u>3,839,283</u>	<u>-</u>	<u>7,339</u>	<u>3,846,622</u>
<b>EXPENDITURES</b>				
General government administration	653,332	-	-	653,332
Public safety	1,198,719	-	-	1,198,719
Public works	1,121,980	-	-	1,121,980
Parks and recreation	243,623	-	-	243,623
Cemetery	23,578	-	-	23,578
Stormwater/watershed	10,592	-	-	10,592
Centreville wharf	23,425	-	-	23,425
Capital outlays	13,071	-	-	13,071
Debt service				
Principal	278,145	-	-	278,145
Interest	235,535	-	-	235,535
Fiscal changes	2,934	-	-	2,934
<b>Total Expenditures</b>	<u>3,804,934</u>	<u>-</u>	<u>-</u>	<u>3,804,934</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>34,349</u>	<u>-</u>	<u>7,339</u>	<u>41,688</u>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	34,349	-	7,339	41,688
<b>Fund balance, beginning of year</b>	<u>2,981,056</u>	<u>200,797</u>	<u>233,134</u>	<u>3,414,987</u>
<b>Fund balance, end of year</b>	<u>\$ 3,015,405</u>	<u>\$ 200,797</u>	<u>\$ 240,473</u>	<u>\$ 3,456,675</u>

**TOWN OF CENTREVILLE, MARYLAND**

**Supplemental Statement of Revenue, Expenses  
and Changes in Net Position – Proprietary Fund  
For the Year Ended June 30, 2016**

	<b>Enterprise Fund</b>
<b>Revenue</b>	
<b>Charges for services</b>	
Sewer allocation fees	\$ 147,509
Water allocation fees	86,649
Sewer	706,057
Water	573,434
Water penalty	22,025
Sewer vacant lots	14,175
Other water charges	3,964
Meter equipment	5,270
Connection charges	3,400
I&I study charges	275
Sale of crops	40,000
Other fines and forfeitures	2,664
Other miscellaneous revenue	2,497
<b>Total charges for services</b>	<u>1,607,919</u>
<b>Miscellaneous revenue</b>	
Investment earnings	11,542
<b>Total miscellaneous revenue</b>	<u>11,542</u>
<b>Capital contributions</b>	180,000
<b>Total revenue</b>	<u>1,799,461</u>
<b>Operating Expenses</b>	
Sewer	1,066,415
Water	1,310,018
Farm	12,090
<b>Total operating expenses</b>	<u>2,388,523</u>
<b>Debt service</b>	
Interest	228,135
Admin fees	11,653
<b>Total debt service</b>	<u>239,788</u>
<b>Total expenses</b>	<u>2,628,311</u>
<b>Change in net position</b>	<u>\$ (828,850)</u>