

TOWN OF CENTREVILLE, MARYLAND

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

For the Year Ended June 30, 2018



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

JUNE 30, 2018

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance to the Statement of Net Position	18
Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Fund	19
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Fund to the Statement of Activities	20
Statement of Net Position - Proprietary Fund	21
Statement of Revenue, Expenses, and Changes in Fund Net Position - Proprietary Fund	22
Statement of Cash Flows - Proprietary Fund	23
Notes to the Financial Statements	24



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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Town's Proportionate Share of the Net Pension Liability	51
Schedule of the Town's Pension Plan Contributions	52
Schedule of Revenue and Expenditures Budget and Actual (Budgetary Basis) – General Fund	53
Schedule of Net OPEB Liability and Related Ratios	55

SUPPLEMENTAL SCHEDULES

Supplemental Balance Sheet – General Fund	57
Supplemental Schedule of Revenue, Expenditures and Changes in Fund Balances – General Fund	58
Supplemental Schedule of Revenue, Expenses and Changes in Net Position – Proprietary Fund	59



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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, 2018, 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, 2018, 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 changes in the net OPEB liability and related ratios 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 schedule of revenue, expenditures and changes in fund balance for the general fund and schedule 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 schedule of revenue, expenditures and changes in fund balance for the general fund and schedule 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 schedule of revenue, expenditures and changes in fund balance for the general fund and schedule 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
March 21, 2019

SB & Company, LLC

TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2018

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, 2018. 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, 2018 by \$32,633,356 (*net position*). Approximately 51% of this amount is attributable to the business-type activities. Of the total net position \$5,591,289 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors (24% is attributable to the business-type activities). Of the remaining total net assets, \$3,762,212 is restricted for specific purposes (*restricted net position*), and \$23,279,855 is invested in capital assets, net of related debt.
- As of June 30, 2018, the Town's governmental funds reported combined ending fund balances of \$8,988,857.
- The Town's total net debt increased by \$2,954,820 through principal draws to fund capital additions to a year-end balance of \$15,862,585 which is well below the legal debt limit per the Town Charter, as discussed in Note 13, Borrowing Limit.
- As of the close of the current fiscal year, the unassigned fund balance for the general fund was \$4,591,139 or 87% 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 of 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, 2018

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, 2018

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 53-54 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 change in net OPEB liability for other post-employment benefits (OPEB) to its employees and the Town's proportionate share of the collective Net Pension Liability. Required supplementary information is located on pages 51-55 of this report.

TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2018

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 \$32,633,356 as of June 30, 2018.

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 (\$3.8 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 report positive balances in all net position categories.

STATEMENT OF NET POSITION

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 9,237,026	\$ 8,797,846	\$ 3,994,201	\$ 4,306,723	\$ 13,231,227	\$ 13,104,569
Capital assets, net	14,800,860	13,791,171	24,341,581	22,418,710	39,142,441	36,209,881
Total Assets	24,037,886	22,589,017	28,335,782	26,725,433	52,373,668	49,314,450
Deferred Outflows of Resources	122,705	199,043	-	-	122,705	199,043
Liabilities						
Current liabilities	509,617	761,318	3,367,975	2,551,093	3,877,591	3,312,411
Long-term liabilities	7,639,761	7,917,640	8,301,445	5,267,184	15,941,207	13,184,824
Total Liabilities	8,149,378	8,678,958	11,669,420	7,818,277	19,818,798	16,497,235
Deferred Inflows of Resources	44,219	22,200	-	-	44,219	22,200
Net Position						
Net investment in capital assets	7,958,206	6,736,716	15,321,649	16,605,310	23,279,855	23,342,026
Restricted	3,762,212	3,897,957	-	-	3,762,212	3,897,957
Unrestricted	4,246,576	3,452,229	1,344,713	2,301,846	5,591,289	5,754,075
Total Net Position	\$ 15,966,994	\$ 14,086,902	\$ 16,666,362	\$ 18,907,156	\$ 32,633,356	\$ 32,994,058

TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2018

Government-wide Financial Analysis (continued)

The Town's net position decreased \$439,126 as of June 30, 2018. This decrease is a result of a \$1,801,668 increase in governmental activities and a \$2,240,794 decrease in business-type activities.

The governmental activities increased the Town's net position by \$1,801,668. Key elements are as follows:

- The Town refinanced its 2007 debt during fiscal year 2018 and transferred the remaining balance of \$1,675,500 of the debt from the governmental activities to the business-type activities.
- 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 increase 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.

Business-type activities decreased the Town's net position by \$2,197,635. The components of the change in the business-type activities are as follows:

- The Town refinanced its 2007 debt during fiscal year 2018 and transferred the remaining balance of \$1,675,500 of the debt from the governmental activities to the business-type activities.
- Water and sewer service expenses decreased by approximately \$30 thousand.
- Charges for services for water and sewer fees continued to increase slightly as a result of a rate increase that totals 4% per fiscal year.
- Revenues related to water and sewer allocation fees and meter equipment have increased as a result of new development.

TOWN OF CENTREVILLE, MARYLAND

**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

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:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenue						
Program revenue:						
Charges for services	\$ 568,453	\$ 471,332	\$ 1,919,502	\$ 1,847,911	\$ 2,487,955	\$ 2,319,243
Operating grants and contributions	336,005	365,199	-	-	336,005	365,199
Capital grants and contributions	-	-	-	-	-	-
General revenue:						
Property taxes	2,246,687	2,309,020	-	-	2,246,687	2,309,020
Other taxes	814,336	768,290	-	-	814,336	768,290
Other	199,785	199,484	18,730	9,747	218,515	209,231
Total Revenue	4,165,266	4,113,325	1,938,232	1,857,658	6,103,498	5,970,983
Program Expenses						
General government	795,875	854,969	-	-	795,875	854,969
Public safety	1,372,683	1,354,940	-	-	1,372,683	1,354,940
Public works	1,534,154	1,664,808	-	-	1,534,154	1,664,808
Parks and recreation	72,007	114,523	-	-	72,007	114,523
Cemetery	17,019	28,918	-	-	17,019	28,918
Stormwater/Watershed	80,216	82,676	-	-	80,216	82,676
Centreville wharf	60,521	90,585	-	-	60,521	90,585
Interest on long-term debt	106,623	163,944	-	-	106,623	163,944
Enterprise expenses						
Water services	-	-	1,156,302	1,322,699	1,156,302	1,322,699
Sewer services	-	-	1,321,590	1,088,902	1,321,590	1,088,902
Farm services	-	-	25,634	17,485	25,634	17,485
Total Program Expenses	4,039,098	4,355,363	2,503,526	2,429,086	6,542,624	6,784,449
Transfer of debt	1,675,500	-	(1,675,500)	-	-	-
Change in Net Position	1,801,668	(242,038)	(2,240,794)	(571,428)	(439,126)	(813,466)
Net position, beginning of year	14,165,326	14,328,940	18,907,156	19,478,584	33,072,482	33,807,524
Net Position, End of Year	\$ 15,966,994	\$ 14,086,902	\$ 16,666,362	\$ 18,907,156	\$ 32,633,356	\$ 32,994,058

TOWN OF CENTREVILLE, MARYLAND

**Management’s Discussion and Analysis
For the Year Ended June 30, 2018**

Government-wide Financial Analysis (continued)

Business-type Activities

Revenue from the Town’s business-type activities was \$1,938,232 and expenses were \$2,503,526. The Enterprise Fund’s 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 \$4,165,266, while total expenses were \$4,039,098. 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).

	Total Cost of Services		Net Cost (Surplus) of Services	
	2018	2017	2018	2017
General government	\$ 795,875	\$ 854,969	\$ 578,641	\$ 711,773
Public safety	1,372,683	1,354,940	1,250,340	1,267,528
Public works	1,534,154	1,664,808	1,386,731	1,531,329
Parks and recreation	72,007	114,523	72,007	109,410
Cemetery	17,019	28,918	(22,131)	(20,027)
Stormwater/Watershed	80,216	82,676	(298,092)	(335,710)
Centreville wharf	60,521	90,584	60,521	90,584
Total	\$ 3,932,475	\$ 4,191,418	\$ 3,028,017	\$ 3,354,887

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, 2018**

Government-wide Financial Analysis (continued)

Governmental Activities (continued)

- The cost of all governmental activities this year, excluding interest, was approximately \$3.9 million. Some of that cost was financed by:
 - Those who directly benefited from the programs (\$568 thousand), or
 - Other governments and organizations that subsidized certain programs with grants and contributions (\$336 thousand).
- The Town financed the remaining \$3 million “public benefit” portion of governmental activities with taxes.

**REVENUE CLASSIFIED BY SOURCE
GENERAL FUND
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>Percent of Total</u>	<u>2017</u>	<u>Percent of Total</u>
Revenue				
General property taxes	\$ 2,368,514	57%	\$ 2,309,020	55%
Local income taxes	654,060	16%	643,364	15%
Local income taxes - prior allocation				
Licenses and permits	93,501	2%	138,381	3%
Charges for services	474,952	12%	471,332	11%
Intergovernmental	336,005	8%	365,199	9%
Miscellaneous	200,619	5%	262,288	6%
Total Revenue	<u>\$ 4,127,651</u>	<u>100%</u>	<u>\$ 4,189,584</u>	<u>100%</u>

General property taxes comprise the largest source of Town revenue, totaling \$2.4 million (57%) of total revenues for governmental activities for fiscal year 2018. Each municipality sets its own property tax rates, within parameters established by the State. For fiscal year 2018, the Town’s property tax rate remained constant at \$0.41 per \$100 of assessed value of real property.

Charges for services, totaling \$474 thousand (12%), 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, totaled \$654 thousand or approximately 16% 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, 2018

Government-wide Financial Analysis (continued)

Governmental Activities (continued)

	<u>2018</u>	<u>Percent of Total</u>	<u>2017</u>	<u>Percent of Total</u>
Expenditures:				
Current operations:				
General government	\$ 753,827	14%	\$ 764,345	14%
Public safety	1,309,647	25%	1,189,509	21%
Public works	869,552	17%	842,086	15%
Parks and recreation	31,837	1%	57,257	1%
Cemetery	16,250	0%	26,080	0%
Stormwater/Watershed	6,358	0%	3,148	0%
Centreville wharf	32,395	1%	32,558	1%
Capital outlays	1,789,933	34%	2,075,503	37%
Debt service:				
Principal	332,404	6%	404,800	7%
Interest	106,623	2%	163,944	3%
Total	\$ 5,248,826	100%	\$ 5,559,230	100%

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 54 and 55. The schedule reports original and final budgets, as well as the variance between actual expenditures and final budget.

Capital Assets and Debt Administration

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 2,877,305	\$ 2,877,305	\$ 1,340,863	\$ 1,340,863	\$ 4,218,168	\$ 4,218,168
Buildings and improvements	9,590,776	9,887,650	20,223,080	19,797,378	29,813,856	29,685,028
Equipment	195,350	115,642	416,609	442,198	611,959	557,840
Construction in progress	2,137,429	910,574	2,361,029	838,271	4,498,458	1,748,845
Total	\$ 14,800,860	\$ 13,791,171	\$ 24,341,581	\$ 22,418,710	\$ 39,142,441	\$ 36,209,881

TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2018

Government-wide Financial Analysis (continued)

Capital Assets and Debt Administration (continued)

The Town's total investment in capital assets, including construction in progress, for its governmental and business-type activities amounts to approximately \$39.1 million and \$36.2 million as of June 30, 2018 and June 30, 2017, respectively (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 \$3.0 million. Of this amount, governmental investment in capital assets increased by \$1.0 million, while business-type investment in capital assets increased by \$2.0 million.

This year's major capital additions included:

- Completion of upgrades to Kidwell Street, including street, water, and sewer infrastructure.
- Completion of upgrades to Brown Street, including street, water, and sewer infrastructure.
- Watershed improvements.
- Vehicles for the police department, and equipment loader for the Public works department.

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

Debt administration

At the end of the current fiscal year, the Town had total long-term debt outstanding of \$15.9 million in loans and bond commitments.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Mortgage loans	\$ 852,694	\$ 880,000	\$ -	\$ -	\$ 852,694	\$ 880,000
Bonds payable	5,989,959	7,975,381	12,427,688	7,377,492	18,417,647	15,352,873
Subtotal	6,842,653	8,855,381	12,427,688	7,377,492	19,270,341	16,232,873
Less undrawn proceeds	-	1,761,016	3,407,756	1,564,092	3,407,756	3,325,108
Total	\$ 6,842,653	\$ 7,094,365	\$ 9,019,932	\$ 5,813,400	\$ 15,862,585	\$ 12,907,765

Additional information on the Town's long-term debt is located in Note 8 starting on page 36-40 of this report.

TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2018

Subsequent Items for Future Financial Statements

The General Fund Budget for FY18 is based on a tax rate of \$0.405 per \$100 of assessment and is a decrease from the FY17 rate of 0.41.

In FY18, 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 \$4,000,000. Also a part of the bond issuance was the refinancing of 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, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 3,387,022	\$ 3,610,691	\$ 6,997,713
Investments	3,899,588	-	3,899,588
Accounts receivable - taxes	179,034	-	179,034
Accounts receivable - accounts - net	334,959	1,603,564	1,938,523
Accounts receivable - grants	107,017	-	107,017
Accounts receivable - interest	22,688	-	22,688
Note receivable	82,664	-	82,664
Due from/(to) other funds	1,220,054	(1,220,054)	-
Prepays	4,000	-	4,000
Total Current Assets	<u>9,237,026</u>	<u>3,994,201</u>	<u>13,231,227</u>
Noncurrent Assets			
Construction in progress	2,137,429	2,361,029	4,498,458
Capital assets, net	12,663,431	21,980,552	34,643,983
Total Noncurrent Assets	<u>14,800,860</u>	<u>24,341,581</u>	<u>39,142,441</u>
Total Assets	<u>24,037,886</u>	<u>28,335,782</u>	<u>52,373,668</u>
Deferred Outflows of Resources	<u>122,705</u>	<u>-</u>	<u>122,705</u>
Total Assets and Deferred Outflows of Resources	<u>24,160,591</u>	<u>28,335,782</u>	<u>52,496,373</u>
LIABILITIES			
Current Liabilities			
Accounts payable	86,275	680,731	767,006
Accrued payroll expense	84,996	10,518	95,514
Unearned revenue	-	1,958,239	1,958,239
Current portion of long term debt	338,346	718,487	1,056,832
Current portion of compensated absences	-	-	-
Total Current Liabilities	<u>509,617</u>	<u>3,367,975</u>	<u>3,877,591</u>
Noncurrent liabilities			
Compensated absences, net of current portion	116,304	-	116,304
Net OPEB liability	287,594	-	287,594
Net pension liability	731,555	-	731,555
Long term debt, net of current portion	6,504,308	8,301,445	14,805,754
Total Noncurrent Liabilities	<u>7,639,761</u>	<u>8,301,445</u>	<u>15,941,207</u>
Total Liabilities	<u>8,149,378</u>	<u>11,669,420</u>	<u>19,818,798</u>
Deferred Inflows of Resources	<u>44,219</u>	<u>-</u>	<u>44,219</u>
Total Liabilities and Deferred Inflows of Resources	<u>8,193,597</u>	<u>11,669,420</u>	<u>19,863,017</u>
NET POSITION			
Net investment in capital assets	7,958,206	15,321,649	23,279,855
Restricted	3,762,212	-	3,762,212
Unrestricted	4,246,576	1,344,713	5,591,289
TOTAL NET POSITION	<u>\$ 15,966,994</u>	<u>\$ 16,666,362</u>	<u>\$ 32,633,356</u>

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

TOWN OF CENTREVILLE, MARYLAND

**Balance Sheet – Governmental Funds
As of June 30, 2018**

	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,047,086	\$ 339,936	\$ 3,387,022
Investments	500,000	3,399,588	3,899,588
Accounts receivable - taxes	179,034	-	179,034
Accounts receivable - accounts - net	334,959	-	334,959
Accounts receivable - grants	107,017	-	107,017
Accounts receivable - interest	-	22,688	22,688
Note receivable	82,664	-	82,664
Prepays	4,000	-	4,000
Due from other funds	1,220,054	-	1,220,054
TOTAL ASSETS	<u>\$ 5,474,814</u>	<u>\$ 3,762,212</u>	<u>\$ 9,237,026</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 86,275	\$ -	\$ 86,275
Accrued payroll	84,996	-	84,996
TOTAL LIABILITIES	<u>171,271</u>	<u>-</u>	<u>171,271</u>
DEFERRED INFLOWS OF RESOURCES	<u>76,898</u>	<u>-</u>	<u>76,898</u>
FUND BALANCES			
Non-spendable	86,664	3,762,212	3,848,876
Restricted	260,709	-	260,709
Committed	118,133	-	118,133
Assigned	170,000	-	170,000
Unassigned	4,591,139	-	4,591,139
TOTAL FUND BALANCES	<u>5,226,645</u>	<u>3,762,212</u>	<u>8,988,857</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,474,814</u>	<u>\$ 3,762,212</u>	<u>\$ 9,237,026</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, 2018**

Total Governmental Fund Balances	\$ 8,988,857
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund statement	14,800,860
Receivables pertaining to revenues that are not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	76,898
Deferred inflows and outflows of resources related to pension and OPEB	78,486
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>(7,978,107)</u>
Net Position of Governmental Activities	<u><u>\$ 15,966,994</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, 2018**

	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
REVENUE			
Property taxes	\$ 2,368,514	\$ -	\$ 2,368,514
Local income taxes	654,060	-	654,060
Local income taxes- prior year allocation	-	-	-
Intergovernmental revenue	336,005	-	336,005
Licenses and permits	93,501	-	93,501
Charges for services	474,952	-	474,952
Miscellaneous revenue			
Other	189,358	-	189,358
Investment earnings	11,261	1,756	13,017
Gains, losses and changes in FMV	-	7,820	7,820
Fees	-	(10,410)	(10,410)
Total Revenues	<u>4,127,651</u>	<u>(834)</u>	<u>4,126,817</u>
EXPENDITURES			
General Government	753,827	-	753,827
Public safety	1,309,647	-	1,309,647
Public works	869,552	-	869,552
Parks and recreation	31,837	-	31,837
Cemetery	16,250	-	16,250
Storm water/watershed	6,358	-	6,358
Centreville wharf	32,395	-	32,395
Capital outlays	1,789,933	-	1,789,933
Debt service			
Principal	332,404	-	332,404
Interest	106,623	-	106,623
Total Expenditures	<u>5,248,826</u>	<u>-</u>	<u>5,248,826</u>
Excess of revenues over (under) expenditures and other financing uses	<u>(1,121,175)</u>	<u>(834)</u>	<u>(1,122,009)</u>
Other financing sources (uses)			
Transfers in (out)	134,911	(134,911)	-
Proceeds from long-term debt	1,641,783	-	1,641,783
Total other financing sources (uses)	<u>1,776,694</u>	<u>(134,911)</u>	<u>1,641,783</u>
Change in fund balance	655,519	(135,745)	519,774
Fund balance, beginning of year	4,571,126	3,897,957	8,469,083
Fund balance, end of year	<u>\$ 5,226,645</u>	<u>\$ 3,762,212</u>	<u>\$ 8,988,857</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, 2018**

Net Change in Fund Balances - Total Governmental Fund	\$ 519,774
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.	1,009,689
Pension expense pertaining to the net pension/OPEB liability is not reported in the funds.	20,333
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	38,449
Some expenses, representing the change in long-term liabilities or assets reported in the Statement of Activities, including compensated absences do not use current financial resources and are not reported as expenditures in the governmental funds.	1,622
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,972,817
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>(1,761,016)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,801,668</u></u>

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, 2018**

	Enterprise Fund
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 3,610,691
Accounts receivable	1,603,564
Total Current Assets	<u>5,214,255</u>
Non-Current Assets	
Construction in progress	2,361,029
Capital assets, net	21,980,552
Total Noncurrent Assets	<u>24,341,581</u>
TOTAL ASSETS	<u><u>\$ 29,555,836</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 680,731
Accrued payroll expense	10,518
Unearned revenue	1,958,239
Due to other funds	1,220,054
Current portion of long-term debt	718,487
Total Current Liabilities	<u>4,588,029</u>
Noncurrent Liabilities	
Long-term debt, net of current liabilities	8,301,445
Total Noncurrent Liabilities	<u>8,301,445</u>
TOTAL LIABILITIES	<u>12,889,474</u>
NET POSITION	
Net investment in capital assets	15,321,649
Unrestricted	1,344,713
TOTAL NET POSITION	<u>16,666,362</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 29,555,836</u></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, 2018**

	Enterprise Fund
Operating Revenue	
Charges for services	\$ 1,919,502
Total Operating Revenue	<u>1,919,502</u>
Operating Expenses	
Salaries and benefits	798,176
Contractual services	109,479
Chemicals, labs and operating supplies	69,887
Utilities	181,738
Repairs and maintenance	106,940
Other operating	31,528
Depreciation	728,672
Total Operating Expenses	<u>2,026,420</u>
Operating Loss	<u>(106,918)</u>
Non-Operating Revenue (Expenses)	
Investment earnings	18,730
Administrative fees	(7,430)
Bond issuance cost	(160,319)
Interest expense	(309,357)
Net Non-operating Revenue (Expenses)	<u>(458,376)</u>
Transfer of debt from governmental activities	(1,675,500)
Change in net position	(2,240,794)
Total net position, beginning of year	18,907,156
Total Net Position, End of Year	<u>\$ 16,666,362</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, 2018**

	Enterprise Funds
Cash Flows from Operating Activities	
Cash received from customers	\$ 2,222,216
Cash paid to suppliers, services etc.	(401,281)
Cash paid to employees	(798,176)
Net Cash from Operating Activities	<u>1,022,759</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(2,071,123)
Principal paid on debt	(772,662)
Proceeds from debt	2,107,605
Loan administrative fees	(7,430)
Interest paid on capital debt	(309,357)
Net Cash from Capital and Related Financing Activities	<u>(1,052,967)</u>
Cash Flows from Noncapital Financing Activities	
Due to general fund	792,990
Net Cash from Noncapital Financing Activities	<u>792,990</u>
Cash Flows from Investing Activities	
Sale of investments	500,000
Interest and dividends	18,730
Net Cash from Investing Activities	<u>518,730</u>
Net increase in cash and cash equivalents	1,281,512
Cash and cash equivalents, beginning of year	2,329,179
Cash and cash equivalents and Restricted Cash, End of Year	<u>\$ 3,610,691</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities:	
Operating loss	\$ (106,918)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation expense	728,672
Changes in assets and liabilities:	
Change in accounts receivable	301,044
Change in accounts payable	98,291
Change in unearned revenue	1,670
Net Cash from Operating Activities	<u>\$ 1,022,759</u>
Non-cash activity	
Transfer of debt from governmental activities	\$ 1,675,500
Capital asset additions in payables balance	<u>\$ 543,227</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, 2018

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, 2018

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, 2018

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, 2018

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, 2018 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 cost with an allowance for doubtful accounts when, in the opinion of Town management, collection is doubtful.

Receivables at June 30, 2018 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 \$198,844 as of June 30, 2018.

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, 2018

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, 2018

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, 2018

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, 2018

2. COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements for all funds:

An annual budget is adopted for the Town's General fund. 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 2018. 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 \$6,997,713 and the bank balances totaled \$7,075,201. Of the bank balances, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC). Shore United Bank (SUB) has issued an irrevocable letter of credit for \$10 million, balances maintained above the letter of credit limit are covered by securities held by SUB, 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, 2018

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 \$3,899,588 of investments, \$3,399,588 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 \$500,000 is collateralized with SUB 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, 2018

3. DEPOSITS AND INVESTMENTS (continued)

Investment Policies (continue)

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, 2018:

- U.S. Government and Agency securities of \$3,399,588 are valued using significant other observable inputs (Level 2 inputs).

4. DUE FROM OTHER GOVERNMENTS

At June 30, 2018, due from other governments, a component of taxes receivable was comprised of the following:

<u>General Fund</u>	
Highway user tax	\$ 24,505
Income tax	154,529
Total	<u>\$ 179,034</u>

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.”

TOWN OF CENTREVILLE, MARYLAND

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

5. INTERFUND TRANSFERS AND BALANCES (continued)

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

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>	<u>Net Balance</u>
Governmental Activities			
General Fund	<u>\$ 1,220,054</u>	<u>\$ -</u>	<u>\$ 1,220,054</u>
Business-type Activities	<u>\$ -</u>	<u>\$ 1,220,054</u>	<u>\$ (1,220,054)</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 2018 is \$0.41 per \$100 of assessed value for real property, and the public utility property tax of \$2.11 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, 2018**

7. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental activities:				
Not being depreciated:				
Land	\$ 2,877,305	\$ -	\$ -	\$ 2,877,305
Construction in progress	910,574	1,641,782	(414,927)	2,137,429
Subtotal	<u>3,787,879</u>	<u>1,641,782</u>	<u>(414,927)</u>	<u>5,014,734</u>
Depreciable capital assets:				
Buildings and improvements	17,055,924	414,927	-	17,470,851
Equipment	1,522,684	148,151	-	1,670,835
Subtotal	<u>18,578,608</u>	<u>563,078</u>	<u>-</u>	<u>19,141,686</u>
Total capital assets	<u>22,366,487</u>	<u>2,204,860</u>	<u>(414,927)</u>	<u>24,156,420</u>
Accumulated depreciation:				
Buildings and improvements	7,168,274	711,801	-	7,880,075
Equipment	1,407,042	68,443	-	1,475,485
Subtotal, accumulated depreciation	<u>8,575,316</u>	<u>780,244</u>	<u>-</u>	<u>9,355,560</u>
Total Capital Assets, Net	<u>\$ 13,791,171</u>	<u>\$ 1,424,616</u>	<u>\$ (414,927)</u>	<u>\$ 14,800,860</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 18,592
Public safety	24,028
Public works	607,905
Parks and recreation	31,552
Stormwater/watershed	71,686
Centreville Wharf	26,481
Total	<u>\$ 780,244</u>

TOWN OF CENTREVILLE, MARYLAND

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

7. CAPITAL ASSETS AND DEPRECIATION (continued)

	<u>Balance June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Business-type activities:				
Not being depreciated:				
Land	\$ 1,340,863	\$ -	\$ -	\$ 1,340,863
Construction in progress	838,271	2,651,543	(1,128,785)	2,361,029
Subtotal	<u>2,179,134</u>	<u>2,651,543</u>	<u>(1,128,785)</u>	<u>3,701,892</u>
Depreciable capital assets:				
Buildings and improvements	27,551,883	1,128,785	-	28,680,668
Equipment	788,288	-	-	788,288
Subtotal	<u>28,340,171</u>	<u>1,128,785</u>	<u>-</u>	<u>29,468,956</u>
Total capital assets	<u>30,519,305</u>	<u>3,780,328</u>	<u>(1,128,785)</u>	<u>33,170,848</u>
Accumulated depreciation:				
Buildings and improvements	7,754,505	703,083	-	8,457,588
Equipment	346,090	25,589	-	371,679
Subtotal, accumulated depreciation	<u>8,100,595</u>	<u>728,672</u>	<u>-</u>	<u>8,829,267</u>
Total Capital Assets, Net	<u>\$ 22,418,710</u>	<u>\$ 3,051,656</u>	<u>\$ (1,128,785)</u>	<u>\$ 24,341,581</u>

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

Sewer	\$ 468,474
Water	<u>260,198</u>
Total	<u>\$ 728,672</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 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, 2018 was \$1,928,300.

TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2018

8. LONG-TERM DEBT (continued)

Governmental Activities (continued)

The Centreville National Bank note payable was refinanced with the Community Development Administration Local Government Infrastructure Bonds 2016 Series A-2; payable in annual installments beginning October 1, 2016, including principal and interest at 2.54%; final payment due April 1, 2036. The principal balance outstanding at June 30, 2018 was \$1,567,044.

Bond payable, Community Development Administration Local Government Infrastructure Bonds 2016 Series A-1 and A-2; payable in annual installments beginning October 1, 2016, including principal and interest at 2.54%; final payment due April 1, 2036. The principal balance outstanding at June 30, 2018 was \$2,494,615.

Promissory note, Queenstown Bank of Maryland; payable in annual installments beginning September 15, 2017, including principal and interest at 2.05%; final payment due September 15, 2036. The proceeds were used to purchase a property. The principal balance outstanding at June 30, 2018 was \$852,694.

Business-Type Activities

The loan payable, United States Department of Agriculture, Rural Development Loan was refinanced during the year to the Community Development Administration Local Government Infrastructure Bonds 2016 Series A-1 and A-2; interest at 4.25%; payable in annual installments beginning October 1, 2016, including principal and interest at 2.54%; final payment due April 1, 2036. The principal balance outstanding at June 30, 2018 was \$836,136.

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, 2018 was \$953,847.

Bond payable, Community Development Administration Local Government Infrastructure Bonds 2016 Series A-1 and A-2; payable in annual installments beginning October 1, 2016, including principal and interest at 2.54%; final payment due April 1, 2036. The principal balance outstanding at June 30, 2018 was \$2,212,205.

TOWN OF CENTREVILLE, MARYLAND

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

8. LONG-TERM DEBT (continued)

Business-Type Activities (continued)

Bond payable, Community Development Administration Local Government Infrastructure Bonds 2017 Series A-1 and A-2 (project 17A-2); payable in annual installments beginning April 1, 2018; interest at 2.23%; interest paid on unpaid principal installment amounts due and payable in semiannual payments commencing October 1, 2017; thereafter due first day of April and October each year; thereafter until maturity; the term for this obligation is 10 years. The principal balance outstanding at June 30, 2018 was \$3,012,500.

Bond payable, Community Development Administration Local Government Infrastructure Bonds 2017 Series A-1 and A-2 (project 17A-3); payable in annual installments beginning April 1, 2018; interest at 3.14%; interest paid on unpaid principal installment amounts due and payable in semiannual payments commencing October 1, 2017; thereafter due first day of April and October each year; thereafter until maturity; the term for this obligation is 20 years. The principal balance outstanding at June 30, 2018 was \$1,487,500.

Bond payable, Community Development Administration Local Government Infrastructure Bonds 2017 Series A-1 and A-2 (project 17A-4); payable in annual installments beginning April 1, 2018; interest at 3.61%; interest paid on unpaid principal installment amounts due and payable in semiannual payments commencing October 1, 2017; thereafter due first day of April and October each year; thereafter until maturity; the term for this obligation is 30 years. The principal balance outstanding at June 30, 2018 was \$3,925,500. The undrawn proceeds balance was \$3,407,756 as of June 30, 2018.

The changes in long-term liabilities during the year ended June 30, 2018 were as follows:

	Water and Sewer Fund	General Long-term Debt	Compensated Absences	OPEB	Net Pension Liability	Total
Beginning balance, July 1, 2017	\$ 7,377,492	\$ 8,815,471	\$ 117,926	\$ 288,284	\$ 849,555	\$ 17,448,728
Increase	5,822,858	-	-	-	-	5,822,858
Decrease	(772,662)	(1,972,817)	(1,622)	(690)	(118,000)	(2,865,791)
Ending Balance, June 30, 2018	12,427,688	6,842,654	116,304	287,594	731,555	20,405,795
Less: Undrawn proceeds	3,407,756	-	-	-	-	3,407,756
Total long-term debt, governmental	<u>\$ 9,019,932</u>	<u>\$ 6,842,654</u>	<u>\$ 116,304</u>	<u>\$ 287,594</u>	<u>\$ 731,555</u>	<u>\$ 7,978,107</u>
Total long-term debt, business-type	<u>\$ 9,019,932</u>					
Amounts due in one year	<u>\$ 718,487</u>	<u>\$ 338,346</u>	<u>\$ -</u>			

TOWN OF CENTREVILLE, MARYLAND

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

8. LONG-TERM DEBT (continued)

Business-Type Activities (continued)

The changes in long-term liabilities during the year ended June 30, 2018 were as follows:

	Water and Sewer Fund	General Long-term Debt	Compensated Absences	OPEB	Net Pension Liability	Total
Beginning balance, July 1, 2017	\$ 7,377,492	\$ 8,815,471	\$ 117,926	\$ 288,284	\$ 849,555	\$ 17,448,728
Increase	5,822,858	-	-	-	-	5,822,858
Decrease	(772,662)	(1,972,817)	(1,622)	(690)	(118,000)	(2,865,791)
Ending Balance, June 30, 2018	12,427,688	6,842,654	116,304	287,594	731,555	20,405,795
Less: Undrawn proceeds	3,407,756	-	-	-	-	3,407,756
Total long-term debt, governmental		<u>\$ 6,842,654</u>	<u>\$ 116,304</u>	<u>\$ 287,594</u>	<u>\$ 731,555</u>	<u>\$ 7,978,107</u>
Total long-term debt, business-type	<u>\$ 9,019,932</u>					
Amounts due in one year	<u>\$ 718,487</u>	<u>\$ 338,346</u>	<u>\$ -</u>			

Long-term debt service requirements are as follows:

For the Years Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 338,346	\$ 171,532	\$ 509,878
2020	347,901	166,915	514,816
2021	353,867	160,665	514,531
2022	358,689	154,273	512,962
2023	364,680	147,074	511,754
2024-2028	1,985,310	600,020	2,585,330
2029-2033	2,134,181	303,183	2,437,365
2034-2038	959,680	47,766	1,007,446
Total	<u>\$ 6,842,654</u>	<u>\$ 1,751,429</u>	<u>\$ 8,594,082</u>

TOWN OF CENTREVILLE, MARYLAND

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

8. LONG-TERM DEBT (continued)

Business-Type Activities (continued)

For the Years Ending June 30,	Business Activities		
	Principal	Interest	Total
2019	\$ 718,487	\$ 320,278	\$ 1,038,765
2020	730,252	308,564	1,038,817
2021	743,530	296,307	1,039,837
2022	755,674	283,439	1,039,113
2023	766,474	270,156	1,036,630
2024-2028	3,473,826	1,118,495	4,592,320
2029-2033	1,907,710	781,689	2,689,400
2034-2038	1,685,236	478,508	2,163,744
2039-2043	841,500	267,908	1,109,408
2044-2047	805,000	82,985	887,985
Total	12,427,688	4,208,328	16,636,017
Less: Undrawn proceeds	3,407,756		
	<u>\$ 9,019,932</u>		

The above payment schedules assume all remaining undrawn proceeds are drawn down. Interest expense was \$106,623 and \$309,357 for the governmental activities and the business-type activities, respectively, for the year ended June 30, 2018.

9. FUND BALANCE REPORTING

Fund balances for the Town’s governmental funds consisted of the following as of June 30, 2018:

Non-spendable Fund Balance

As of June 30, 2018, non-spendable fund balance was \$82,664 pertaining to notes receivable and \$4,000 of prepaid expenses in the general fund and \$3,762,212 pertaining to principal in the permanent fund.

Restricted Fund Balance

As of June 30, 2018, restricted fund balance was \$260,709 to perpetual care in the general fund.

Committed Fund Balance

As of June 30, 2018, committed fund balance was \$118,143 to revolving housing funds in the general fund.

TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2018

9. FUND BALANCE REPORTING (continued)

Assigned Fund Balance

As of June 30, 2018, assigned fund balance comprised \$170,000 for open purchase orders.

Unassigned Fund Balance

Unassigned fund balance totaled \$4,591,129 in the general fund.

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 \$731,305 as of the measurement date of June 30, 2017.

The Town’s fiscal 2018 contribution of \$58,058 is therefore recognized as a pension-related deferred outflow of resources.

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, 2018

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 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.

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, 2018, the Town contributed \$58,058. The Town contributed 100% of its required contribution for the year ended June 30, 2018. 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).

TOWN OF CENTREVILLE, MARYLAND

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

10. RETIREMENT PLAN (continued)

A. Description of Plan (continued)

Actuarial assumptions

The key actuarial assumptions used to perform the June 30, 2018 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.

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:

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

TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2018

10. RETIREMENT PLAN (continued)

Investments (continued)

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 a rate equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity 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%).

	<u>1.0% decrease</u> <u>(6.55%)</u>	<u>Current Rate</u> <u>(7.55%)</u>	<u>1.0% increase</u> <u>(8.55%)</u>
Net Pension Liability	<u>\$ 1,038,808</u>	<u>\$ 731,555</u>	<u>\$ 424,302</u>

TOWN OF CENTREVILLE, MARYLAND

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

10. RETIREMENT PLAN (continued)

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

At June 30, 2018, the Town reported a liability of \$731,555 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2017, 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, 2018, the Town recognized pension expense of \$85. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Change of assumptions	\$ 29,269	\$ -
Net difference between projected and actual earnings on pension plan investments	35,378	
Difference between actual and expected experience		42,880
Contributions subsequent to the measurement date	58,058	-
Total	\$ 122,705	\$ 42,880

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:

Year	Total
2019	\$ 16,271
2020	14,073
2021	13,377
2022	(15,560)
2023	(6,395)
Total	\$ 21,766

TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2018

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, has not restricted any funds for the Plan, nor set up a trust to pay benefits. 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 Town offers postretirement health care benefits to employees who retire from the Town under normal or early retirement provisions of the pension plan. The health care benefits are provided until the retiree is eligible for Medicare. Retirees who exercise the one-time option for the health care benefits pay one-half of the estimated cost of the benefits. The Town pays the remaining cost as part of its self-insurance program. Currently, fifty-five retirees are receiving benefits and thirty-five employees are retirement eligible. Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported.

The Town offered a special termination benefit to employees that retired between July 1, 1995 and September 30, 1995. Those employees are receiving health care benefits (managed care program) from the date of retirement until they are eligible for Medicare or turn 65. One former employee is receiving this benefit.

Actuarial Methods and Assumptions

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 of the employer 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, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is 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, 2018**

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Net OPEB Liability

The net OPEB liability is equal to the total OPEB liability minus the net position of the plan. The result as of June 30, 2018 is as follows:

Total OPEB liability	\$ 287,594
Net position	-
Net OPEB liability (asset)	<u>\$ 287,594</u>

Net position as a percentage of total OPEB liability is 0%.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the 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.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plan, calculated using a discount rate of 3.62% as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.62%) or 1-percentage point higher (4.62%) than the current rate:

	1.0% decrease (2.62%)	Current rate 3.62%	1.0% increase (4.62%)
Net OPEB Liability (asset)	<u>\$ 327,827</u>	<u>\$ 287,594</u>	<u>\$ 254,526</u>

Sensitivity of the net OPEB liability to changes in the health care cost trend rate

This plan offers a fixed dollar benefit that is not impacted by the medical trend.

TOWN OF CENTREVILLE, MARYLAND

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

11. OTHER POST EMPLOYMENT BENEFITS (continued)

For the fiscal year ended June 30, 2018, the Town recognized an OPEB expense of \$20,049. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 1,339
Total	<u>\$ -</u>	<u>\$ 1,339</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in the expense as follows:

<u>Fiscal Year ended June 30:</u>		
2019	\$	(122)
2020		(122)
2021		(122)
2022		(122)
2023		(122)
Thereafter		(729)
Total	<u>\$</u>	<u>(1,339)</u>

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.

13. COMMITMENTS AND CONTINGENCIES

Borrowing Limit

In connection with the debt acquired in aggregate of \$19,270,341 (including unspent proceeds of \$3,407,756, 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 \$551,034,567. Currently, the borrowing limit is \$110,206,913.

TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2018

13. COMMITMENTS AND CONTINGENCIES (continued)

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 Town has adopted the provisions of Governmental Accounting Standard Board (GASB) issued Statement No. 75, entitled Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; Statement No. 81, entitled Irrevocable Split- Interest Agreements; Statement No. 85, entitled Omnibus; and Statement No. 86, entitled Certain Debt Extinguishment Issues. The adoption of these standards did not have a material effect on these statements.

As of year ended June 30, 2018, GASB issued Statement No. 83 entitled Certain Asset Retirement Obligations, Statement No. 84 entitled Fiduciary Activities, Statement No. 87 entitled Leases, Statement No. 88 entitled Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements and Statement No. 89 entitled Accounting for Interest Cost Incurred before the End of a Construction Period. The Town has not yet completed the process of evaluating the impact of these pronouncements on its financial statements.

15. RESTATEMENT

The Town adopted Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ending June 30, 2018. The implementation of the statement required the Town to restate the beginning net OPEB liability. As a result, the net position restatement for the governmental activities increased by \$78,424.

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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion (%) of collective net pension liability	0.003381%	0.003601%	0.003790%	0.003420%
Town's proportionate share (\$) of collective net pension liability	\$ 731,555	\$ 849,555	\$ 786,927	\$ 607,805
Town's covered-employee payroll (\$)	1,678,660	1,555,613	1,617,811	1,402,901
Town's proportionate share of collective net pension liability as a percentage of its covered-employee payroll	43.58%	54.61%	48.64%	43.32%
Pension plan's fiduciary net position as a percentage of the total pension liability	69.38%	65.79%	68.78%	71.87%

The above schedules are presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is complied, 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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 58,058	\$ 76,809	\$ 70,145	\$ 80,884
Contributions in relation to the contractually required contribution	58,058	76,809	70,145	80,884
Contribution deficiency (excess)	-	-	-	-
Town's covered-employee payroll	1,678,660	1,555,613	1,617,811	1,402,901
Contributions as a percentage of covered-employee payroll	3.5%	4.9%	4.3%	5.8%

The above schedules 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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE				
Revenues from local sources				
General property taxes	\$ 2,178,872	\$ 2,178,872	\$ 2,246,687	\$ 67,815
Local income taxes	750,000	750,000	841,357	91,357
Aid to towns	7,672	7,672	7,672	-
Highway user tax	138,447	138,447	139,211	764
State & waste removal	332,149	332,149	338,308	6,159
State aid for police protection	95,000	95,000	101,110	6,110
Total taxes	<u>3,502,140</u>	<u>3,502,140</u>	<u>3,674,345</u>	<u>172,205</u>
Licenses and permits	<u>147,670</u>	<u>147,670</u>	<u>93,501</u>	<u>(54,169)</u>
Intergovernmental	<u>2,000</u>	<u>2,000</u>	<u>64,003</u>	<u>62,003</u>
Charges for services				
General government	277,566	277,566	230,396	(47,170)
Public safety	36,700	36,700	48,770	12,070
Total charges for services	<u>314,266</u>	<u>314,266</u>	<u>279,166</u>	<u>(35,100)</u>
Miscellaneous				
Interest income	1,000	1,000	16,021	15,021
Donations	3,000	3,000	13,554	10,554
Other income	45,000	45,000	90,865	45,865
Total miscellaneous	<u>49,000</u>	<u>49,000</u>	<u>120,440</u>	<u>71,440</u>
Other Financing Sources				
Transfer In	80,000	80,000	134,911	-
Reserve Transfer	-	-	-	-
Total Other Financing Sources	<u>80,000</u>	<u>80,000</u>	<u>134,911</u>	<u>-</u>
TOTAL REVENUE	<u><u>\$ 4,095,076</u></u>	<u><u>\$ 4,095,076</u></u>	<u><u>\$ 4,366,365</u></u>	<u><u>\$ 216,378</u></u>

TOWN OF CENTREVILLE, MARYLAND

**Schedule of Revenue and Expenditures Budget and Actual (Budgetary Basis) -
General Fund
For the Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES				
Town administration				
Council	\$ 30,719	\$ 30,719	\$ 30,775	\$ (56)
Administration	1,054,884	1,054,884	1,025,239	29,645
Mainstreet	19,875	19,875	17,537	2,338
Emergency Services	45,000	45,000	45,000	-
Planning and zoning	121,700	121,700	84,822	36,878
Total town administration	<u>1,272,178</u>	<u>1,272,178</u>	<u>1,203,373</u>	<u>68,805</u>
Total public safety	<u>1,368,636</u>	<u>1,368,636</u>	<u>1,359,241</u>	<u>9,395</u>
Public works				
Roads	1,087,733	1,087,733	779,454	308,279
Solid waste	295,099	295,099	287,677	7,422
Cemetery	21,000	21,000	16,250	4,750
Parks	65,439	65,439	31,837	33,602
Watershed	6,850	6,850	6,358	492
Total public works	<u>1,476,121</u>	<u>1,476,121</u>	<u>1,121,576</u>	<u>354,545</u>
Debt Service				
Roads	471,138	471,138	370,761	100,377
Park/Marina	127,981	127,981	22,920	105,061
Total debt service	<u>599,119</u>	<u>599,119</u>	<u>393,681</u>	<u>205,438</u>
Other				
Cost transfer to enterprise fund	(640,120)	(640,120)	(558,561)	(81,559)
General insurance	28,000	28,000	29,627	(1,627)
Capital outlays	1,847,432	1,847,432	1,711,224	136,208
Total other	<u>1,235,312</u>	<u>1,235,312</u>	<u>1,182,290</u>	<u>53,022</u>
TOTAL EXPENDITURES	<u>5,951,366</u>	<u>5,951,366</u>	<u>5,260,161</u>	<u>691,205</u>
Excess (deficiency) of revenue over expenditures before other financing sources (uses)	(1,856,290)	(1,856,290)	(893,796)	(962,493)
OTHER FINANCING SOURCES				
Proceeds from long term debt	-	-	1,641,783	(1,641,783)
Total other financing sources	<u>-</u>	<u>-</u>	<u>1,641,783</u>	<u>(1,641,783)</u>
Excess (deficiency) of revenue and other financing sources over expenditures	<u>\$ (1,856,290)</u>	<u>\$ (1,856,290)</u>	<u>\$ 747,987</u>	<u>\$ (2,604,276)</u>

TOWN OF CENTREVILLE, MARYLAND

**Schedule of Changes in Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2018**

	<u>2018</u>
Total pension liability	
Service Cost	\$ 10,197
Interest	9,974
Differences between expected and actual experiences	-
Changes of assumptions	(1,461)
Benefit payments	(19,400)
Net changes in total OPEB liability	<u>(690)</u>
Total OPEB liability - beginning	288,284
Total OPEB liability - ending (a)	<u>\$ 287,594</u>
 Plan fiduciary net position	
Contributions - employer	\$ 19,400
Net investment income	-
Benefit payments	(19,400)
Administrative expense	-
Net changes in plan fiduciary net position	<u>-</u>
Plan fiduciary net positions - beginning	-
Plan fiduciary net positions - ending (b)	<u>\$ -</u>
 County's net OPEB - liability - ending (a) - (b)	 \$ 287,594
 Plan fiduciary net position as a percentage of total pension liability	 0.00%
 Covered employee payroll	 \$ 1,678,660
 Net liability as a percentage of covered payroll	 0.00%
 Annual money-weighted rate of return, net of investment expense	 0.00%

Notes to schedule:

This information is not available for FY17 and prior.

The annual determined contribution has not been calculated, therefore is not available.

SUPPLEMENTAL SCHEDULES

TOWN OF CENTREVILLE, MARYLAND

**Supplemental Balance Sheet – General Fund
As of June 30, 2018**

	<u>General Fund</u>	<u>Revolving Housing Fund</u>	<u>Perpetual Care Fund</u>	<u>Total General Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,693,278	\$ 118,133	\$ 235,675	\$ 3,047,086
Investments	500,000	-	-	500,000
Accounts receivable - taxes	179,034	-	-	179,034
Accounts receivable - other - net	321,151	-	13,808	334,959
Accounts receivable - grants	107,017	-	-	107,017
Notes receivable	-	82,664	-	82,664
Prepays	4,000	-	-	4,000
Due from other funds	1,208,828	-	11,226	1,220,054
TOTAL ASSETS	<u>5,013,308</u>	<u>200,797</u>	<u>260,709</u>	<u>5,474,814</u>
LIABILITIES				
Accounts payable	\$ 86,275	\$ -	\$ -	\$ 86,275
Accrued payroll	84,996	-	-	84,996
TOTAL LIABILITIES	<u>171,271</u>	<u>-</u>	<u>-</u>	<u>171,271</u>
DEFERRED INFLOWS OF RESOURCES	<u>76,898</u>	<u>-</u>	<u>-</u>	<u>76,898</u>
FUND BALANCES				
Non-spendable	4,000	82,664	-	86,664
Restricted	-	-	260,709	260,709
Committed	-	118,133	-	118,133
Assigned	170,000	-	-	170,000
Unassigned	4,591,139	-	-	4,591,139
TOTAL FUND BALANCES	<u>4,765,139</u>	<u>200,797</u>	<u>260,709</u>	<u>5,226,645</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,013,308</u>	<u>\$ 200,797</u>	<u>\$ 260,709</u>	<u>\$ 5,474,814</u>

TOWN OF CENTREVILLE, MARYLAND

**Supplemental Schedule of Revenue, Expenditures
and Changes in Net Position – General Fund
For the Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Revolving Housing Fund</u>	<u>Perpetual Care Fund</u>	<u>Total General Funds</u>
Revenue				
Property taxes	\$ 2,368,514	\$ -	\$ -	\$ 2,368,514
Local income taxes	654,060	-	-	654,060
Local income taxes- prior year allocation	-	-	-	-
Intergovernmental revenue	336,005	-	-	336,005
Licenses and permits	93,501	-	-	93,501
Charges for services	467,639	-	7,313	474,952
Miscellaneous revenue	200,201	-	418	200,619
Total Revenue	<u>4,119,920</u>	<u>-</u>	<u>7,731</u>	<u>4,127,651</u>
EXPENDITURES				
General government administration	753,827	-	-	753,827
Public safety	1,309,647	-	-	1,309,647
Public works	869,552	-	-	869,552
Parks and recreation	31,837	-	-	31,837
Cemetery	16,250	-	-	16,250
Stormwater/watershed	6,358	-	-	6,358
Centreville wharf	32,395	-	-	32,395
Capital outlays	1,789,933	-	-	1,789,933
Debt service				
Principal	332,404	-	-	332,404
Interest	106,623	-	-	106,623
Total Expenditures	<u>5,248,826</u>	<u>-</u>	<u>-</u>	<u>5,248,826</u>
Excess (deficiency) of revenues over expenditures	<u>(1,128,906)</u>	<u>-</u>	<u>7,731</u>	<u>(1,121,175)</u>
Other financing sources				
Transfers in	134,911	-	-	134,911
Proceeds from long-term debt	1,641,783	-	-	1,641,783
	1,776,694	-	-	1,776,694
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	647,788	-	7,731	655,519
Change in fund balance	<u>647,788</u>	<u>-</u>	<u>7,731</u>	<u>655,519</u>
Fund balance, beginning of year	<u>4,117,351</u>	<u>200,797</u>	<u>252,978</u>	<u>4,571,126</u>
Fund balance, end of year	<u>\$ 4,765,139</u>	<u>\$ 200,797</u>	<u>\$ 260,709</u>	<u>\$ 5,226,645</u>

TOWN OF CENTREVILLE, MARYLAND

**Supplemental Schedule of Revenue, Expenses
and Changes in Net Position – Proprietary Fund
For the Year Ended June 30, 2018**

	Enterprise Fund
Revenue	
Charges for services	
Sewer allocation fees	\$ 156,932
Water allocation fees	92,765
Sewer	797,629
Water	721,840
Water penalty	20,530
Sewer vacant lots	9,624
Sale of crops	49,500
Other miscellaneous revenue	70,682
Total charges for services	<u>1,919,502</u>
Miscellaneous revenue	
Investment earnings	18,730
Total miscellaneous revenue	<u>18,730</u>
Total revenue	<u>1,938,232</u>
Operating Expenses	
Sewer	1,082,630
Water	918,156
Farm	25,634
Total operating expenses	<u>2,026,420</u>
Debt service	
Interest	309,357
Bond issuance cost	160,319
Admin fees	7,430
Total debt service	<u>477,106</u>
Total expenses	2,503,526
Transfer of debt	<u>(1,675,500)</u>
Change in net position	<u>\$ (2,240,794)</u>