

**TOWN OF CENTREVILLE, MARYLAND  
FINANCIAL STATEMENTS  
JUNE 30, 2015**

# TOWN OF CENTREVILLE

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## Independent Auditor's Report

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 and each major fund of the Town of Centreville, Maryland, as of and for the year ended June 30, 2015, 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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 and each major fund of the Town of Centreville, Maryland, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 18 to the financial statements, the Town adopted new accounting guidance, GASB No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No 68* as of July 1, 2014. As a result, the Town restated beginning net position by (\$590,296), from \$15,088,744 to \$14,498,448. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, schedules of required pension-related supplementary information, the budgetary comparison information, other post-employment benefits – schedule of funding progress, and other post-employment benefits – schedule of employer contributions on pages 4 through 20, 62, 63 through 64, 65, and 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Centreville, Maryland's financial statements as a whole. The supplemental balance sheet – general fund, supplemental statement of revenues, expenditures and changes in fund balance and supplemental statement of revenues, expenses and changes in net position – proprietary funds (“supplemental schedules”) on pages 67 through 69 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2016, on our consideration of the Town of Centreville, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Centreville, Maryland's internal control over financial reporting and compliance.

April 21, 2016

Handwritten signature in cursive script that reads "Kimdry & Associates, LLC".

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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, 2015. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

**Financial Highlights**

- The assets of the Town exceeded its liabilities at the close of fiscal year June 30, 2015 by \$34 million (*net position*). Approximately 59% of this amount is attributable to the business-type activities. Of the total net position approximately \$6.4 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors (64% is attributable to the business-type activities). Of the remaining total net assets, approximately \$3.9 million is restricted for specific purposes (*restricted net position*), and approximately \$24.1 million is invested in capital assets, net of related debt.
- As of June 30, 2015, the Town's governmental funds reported combined ending fund balances of approximately \$7.1 million.
- The Town's total net debt decreased by \$644,832 through principal payments to a year-end balance of \$11,488,172 which is well below our legal debt limit per the Town Charter, as discussed in Note 14, Borrowing Limit.
- As of the close of the current fiscal year, the unassigned fund balance for the general fund was approximately \$2.9 million or 77% of total general fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

***Government-wide financial statements***

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The government-wide statements are on a full accrual accounting basis, including the elimination and/or reclassification of internal activities.

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**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, revenues and expenses are reported in this statement for some items that will only 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 revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, 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 21 and 22 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  
JUNE 30, 2015**

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

***Government-wide 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 63-64 of this report.

**Proprietary funds**

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, of which is considered to be a major fund of the Town.

The basic proprietary fund financial statements can be found on pages 25-27 of this report.

**Notes to 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 28-61 of this report.

**Other supplementary information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* budgetary comparison, schedules of required pension-related information, schedule of the Town's pension plan contribution, and the Town's progress in funding its obligations to provide other post-employment benefits (OPEB) to its employees. Required supplementary information is located on pages 62-66 of this report.

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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

***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 exceeded liabilities by \$34 million as of June 30, 2015.

The largest portion of the Town's net position (70%) 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 (\$3.9 million or 11.3%) represents resources that are restricted by enabling legislation on how they may be used. The remaining balance of unrestricted net position (18.7%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**STATEMENT OF NET POSITION**

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

**CONDENSED STATEMENTS OF NET ASSETS  
As of June 30, 2015 and 2014  
(in thousands of dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>						
Current and other assets	\$ 7,439	\$ 7,656	\$ 6,181	\$ 7,258	\$ 13,620	\$ 14,914
Capital assets, net	13,075	13,126	22,153	22,530	35,228	35,656
<b>Total Assets</b>	<b>20,514</b>	<b>20,782</b>	<b>28,334</b>	<b>29,788</b>	<b>48,848</b>	<b>50,570</b>
<b>Liabilities</b>						
Other liabilities	504	681	2,462	3,054	2,966	3,735
Long-term liabilities	5,847	5,012	5,564	5,770	11,411	10,782
<b>Total Liabilities</b>	<b>6,351</b>	<b>5,693</b>	<b>8,026</b>	<b>8,824</b>	<b>14,377</b>	<b>14,517</b>
<b>Net Position</b>						
Net investment in capital assets	7,941	8,251	16,183	16,327	24,124	24,578
Restricted	3,918	3,861	-	-	3,918	3,861
Unrestricted	2,327	2,977	4,125	4,637	6,452	7,614
<b>Total Net Position</b>	<b>\$ 14,186</b>	<b>\$ 15,089</b>	<b>\$ 20,308</b>	<b>\$ 20,964</b>	<b>\$ 34,494</b>	<b>\$ 36,053</b>

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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

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

The Town's net position decreased approximately \$1.6 million as of June 30, 2015. This decrease is a result of \$903 thousand decrease in governmental activities and a \$656 thousand decrease in business-type activities.

The governmental activities decreased the Town's net position by \$903 thousand. Key elements are as follows:

- Charges for services decreased as a result of a downturn in building permit applications and associated costs. Additionally, speed monitoring cameras installed in FY14 have provided steady Public Safety revenues 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 primarily with bond proceeds.
- The Town chose to buy into the Maryland State Retirement and Pension system in FY14. This substantially decreased expenditures between FY14 and FY15 across all departments.

Business-type activities decreased the Town's net position by \$656 thousand. The components of the change in the business-type activities are as follows:

- Water and sewer service expenses decreased approximately \$60 thousand.
- Charges for services for water and sewer fees increased slightly as a result of an increase that will be phased-in over a period of three years, beginning with the second quarter of FY15, with increases following in the second quarters of FY16 and FY17.
- The revenue associated with farm services increased for the second year due to the farm rental.
- The Statement Retirement and Pension System buy-in also increased personnel expenditures in the business-type activities.

**STATEMENT OF ACTIVITIES**

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

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**CONDENSED STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2015 and 2014  
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 501	\$ 651	\$ 1,755	\$ 1,722	\$ 2,256	\$ 2,373
Operating grants/ contributions	703	667	-	20	703	687
Capital grants/ contributions	-	-	-	-	-	-
General revenues:						
Property taxes	1,860	1,934	-	-	1,860	1,934
Other income taxes	468	429	-	-	468	429
Other	289	120	26	39	315	159
<b>Total Revenues</b>	<u>3,821</u>	<u>3,801</u>	<u>1,781</u>	<u>1,781</u>	<u>5,602</u>	<u>5,582</u>
<b>Program Expenses</b>						
General government	834	1,031	-	-	834	1,031
Public safety	1,137	1,423	-	-	1,137	1,423
Public works	1,580	1,467	-	-	1,580	1,467
Parks and recreation	53	79	-	-	53	79
Cemetery	25	26	-	-	25	26
Stormwater/Watershed	223	134	-	-	223	134
Centreville wharf	36	28	-	-	36	28
Interest on long-term debt	246	255	-	-	246	255
Enterprise expenses:						
Water services	-	-	1,008	1,202	1,008	1,202
Sewer services	-	-	1,421	1,279	1,421	1,279
Farm services	-	-	9	17	9	17
<b>Total Program Expenses</b>	<u>4,134</u>	<u>4,443</u>	<u>2,438</u>	<u>2,498</u>	<u>6,572</u>	<u>6,941</u>
Change in net position	(312)	(642)	(657)	(717)	(970)	(1,359)
Net position, beginning, restated	14,498	15,730	20,964	21,681	35,462	37,411
<b>Net Position, End</b>	<u>\$ 14,186</u>	<u>\$ 15,088</u>	<u>\$ 20,307</u>	<u>\$ 20,964</u>	<u>\$ 34,492</u>	<u>\$ 36,052</u>

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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

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

**Business-type Activities**

Revenue from the Town's business-type activities was approximately \$1.8 million and expenses were \$2.4 million. The Enterprise Fund costs of operation are shared equally by the users. As with most municipalities throughout the United States these costs will continue to provide many challenges in the coming years due to aging infrastructure. The Town Council continues with its philosophy of having new development pay for any infrastructure improvements required to accommodate the demands placed on the Town's infrastructure by the new development. With the continued slow growth, building activity has been at a minimum resulting in a slight decrease of residential and commercial allocation fee revenue.

**Governmental Activities**

Revenues from the Town's governmental activities were approximately \$3.8 million, while total expenses were approximately \$4.1 million. The table below presents the cost of each of the Town's seven largest services – general government, public safety, public works, parks and recreation, cemetery, stormwater/watershed management and Centreville wharf, as well as, each service's net cost (total cost less fees generated by the activities and intergovernmental aid).

**NET COST OF CENTREVILLE'S GOVERNMENT ACTIVITIES  
For the Years Ended June 30, 2015 and 2014  
(in thousand of dollars)**

	<u>Total Cost of Services</u>		<u>Net Cost (Surplus) of Services</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General government	\$ 834	\$ 1,031	\$ 413	\$ 588
Public safety	1,137	1,424	1,043	1,261
Public works	1,580	1,467	1,450	1,265
Parks and recreation	53	79	53	78
Cemetery	25	26	(24)	(22)
Stormwater/Watershed	223	135	60	(176)
Centreville wharf	36	28	(65)	130
<b>Total</b>	<u>\$ 3,888</u>	<u>\$ 4,190</u>	<u>\$ 2,930</u>	<u>\$ 3,124</u>

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

- 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 (\$501 thousand), or
  - Other governments and organizations that subsidized certain programs with grants and contributions (\$703 thousand).

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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

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

**Governmental Activities** (Continued)

- The Town financed the remaining \$2.67 million “public benefit” portion of governmental activities with taxes.

**REVENUE CLASSIFIED BY SOURCE  
GENERAL FUND  
For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>Percent of Total</u>	<u>2014</u>	<u>Percent of Total</u>
Revenue and Other Financing Sources				
General property taxes	\$ 1,936,460	51.4%	\$ 1,872,042	48.5%
Local income taxes	414,631	11.0%	354,786	9.2%
Licenses and permits	145,757	3.9%	138,948	3.6%
Charges for services	354,241	9.4%	504,623	13.1%
Intergovernmental	688,396	18.3%	805,223	20.9%
Miscellaneous	104,583	2.8%	60,259	1.6%
Operating transfers	120,000	3.2%	120,000	3.1%
Total Revenue and Other Financing Sources	<u>\$ 3,764,068</u>	<u>100.0%</u>	<u>\$ 3,855,881</u>	<u>100.0%</u>

General property taxes comprise the largest source of Town revenue, totaling \$1.9 million (51.4%) of total revenues for governmental activities for fiscal year 2015. Each municipality sets its own property tax rates, within parameters established by the State. For fiscal year 2015, the Town’s property tax rate remained constant at \$.38 per \$100 of assessed value of real property.

Charges for Services, totaling \$354 thousand (9.4%), reflect fees charged to Town citizens. These primarily support public works, sanitation and waste removal, cemetery maintenance and upkeep, and various general government administrative services such as permit review, subdivision and site fees.

Local income taxes, totaling \$415 thousand or approximately 11.0% of total governmental revenues. 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  
JUNE 30, 2015**

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

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

**EXPENDITURE BY FUNCTION  
GENERAL FUND  
For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>Percent of Total</u>	<u>2014</u>	<u>Percent of Total</u>
<b>Expenditures</b>				
Current operations:				
General government	\$ 817,382	21.1%	\$ 795,747	19.2%
Public safety	1,130,981	29.2%	1,121,884	27.0%
Public works	985,014	25.5%	884,348	21.3%
Parks and recreation	33,782	0.9%	57,938	1.4%
Cemetery	25,763	0.7%	25,244	0.6%
Stormwater/Watershed	175,290	4.5%	99,678	2.4%
Centreville wharf	9,246	0.2%	1,509	0.0%
Capital outlay	174,783	4.5%	642,062	15.5%
Debt service:				
Principal	270,005	7.0%	265,692	6.4%
Interest	246,579	6.4%	254,768	6.2%
<b>Total Expenditures</b>	<u>\$ 3,868,825</u>	<u>100.0%</u>	<u>\$ 4,148,870</u>	<u>100.0%</u>

**General Fund Budgetary Highlights**

The Town adopts an operating budget as of July 1 each year and amends that budget throughout the year in response to actual events. The Schedule of Revenues and Expenditures - Budget and Actual can be found as part of the Required Supplemental Information, which is located after the Notes on pages 63 and 64. The schedule reports original and final budgets, as well as the variance between actual events and final budgets.

Reappropriation of budgeted amounts for fiscal year 2015 included increases to several areas of the budget including grant funding received, general government administration, capital vehicle purchases, and speed monitoring camera fee revenue.

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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

**Capital Assets and Debt Administration**

**CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION  
As of June 30, 2015 and 2014  
(in thousands of dollars)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 2,877	\$ 2,877	\$ 1,161	\$ 1,161	\$ 4,038	\$ 4,038
Buildings and improvements	9,110	9,224	20,382	21,012	29,492	30,236
Equipment	314	352	115	135	429	487
Construction in progress	774	672	495	325	1,269	997
<b>Total</b>	<u>\$ 13,075</u>	<u>\$ 13,125</u>	<u>\$ 22,153</u>	<u>\$ 22,633</u>	<u>\$ 35,228</u>	<u>\$ 35,758</u>

The Town's total investment in capital assets, including construction in progress, for its governmental and business-type activities amounts to approximately \$35.2 million and \$35.8 million, as of June 30, 2015 and June 30, 2014, 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, decreased by approximately \$530 thousand. Of this amount, governmental investment in capital assets decreased by \$50 thousand, while business-type investment in capital assets decreased by \$480 thousand.

This year's major capital additions included:

- Completion of upgrades to Railroad Avenue, to include street, water and sewer infrastructure.
- Watershed improvements.
- Vehicles for the police department and mobile equipment for the proprietary fund.

Additional information can be found in Note 7 on pages 40 and 41 of this report.

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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

**Capital Assets and Debt Administration** (continued)

**Debt administration**

At the end of the current fiscal year, the Town had total long-term debt outstanding of \$11 million in loans and bond commitments.

**OUTSTANDING DEBT  
As of June 30, 2015 and 2014  
(in thousands of dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Mortgage loans	\$ 1,711	\$ 1,754	\$ -	\$ -	\$ 1,711	\$ 1,754
Note payable	-	-	-	-	-	-
Loans from USDA	-	-	911	927	911	927
Loans from MD DOE	-	-	-	-	-	-
Bonds payable	4,187	4,414	4,974	5,391	9,161	9,805
Subtotal	5,898	6,168	5,885	6,318	11,783	12,486
Less undrawn proceeds	764	1,086	-	-	764	1,086
<b>Total</b>	<b>\$ 5,134</b>	<b>\$ 5,082</b>	<b>\$ 5,885</b>	<b>\$ 6,318</b>	<b>\$ 11,019</b>	<b>\$ 11,400</b>

The Town's total long-term debt decreased 9% during the current fiscal year. The major factor in this decrease was drawing down bond proceeds.

Additional information on the Town's long-term debt is located in Note 8 starting on page 44 of this report.

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Subsequent Items for Future Financial Statements**

Looking to the future, there are a number of pending issues and initiatives which may impact future finances. These items could generally be considered in terms of long-term capital improvements and are in various stages of consideration.

**Growth**

As we consider a long-range perspective, questions of how far and how fast the Town grows will need to be answered. The answer to these questions should include consideration of the resources, infrastructure, services, and facilities required by such growth, as well as the environmental impacts of such prospective future growth. The Centreville Community Plan (Plan) was updated in 2009 as part of the planning process and amended in 2010 to include the required Water Resources and Municipal Growth Elements. The Plan addresses the geographic extent of the Town's future growth by identifying specific growth areas and prospective population density likely within those areas. More challenging is to predict the pacing of such prospective growth, which is influenced by market forces, government regulation, and specific legislative action.

During 2009 and 2010, consistent with the Plan, the Town annexed two parcels totaling nearly 200 acres along Route 304 east of Town. These parcels include farmland, a historic house, the Queen Anne's County High School, and Centreville Middle School. The Queen Anne's County owned farmland was initially proposed to house a future County office complex and a recreational facility. The County recently approved the development of the recreational facility. New development there or elsewhere will likely require infrastructure investments by the developers for roads or utilities that may be dedicated to the Town. Since 2000, the Town has been among the fastest growing in the State of Maryland, and this pace may continue.

**Roads**

Long-term capital planning includes transportation networks and facilities. As population continues to grow in and around the Town, increasing demand is placed on streets, sidewalks, and related transportation infrastructure. While certain state revenue supports the maintenance or upgrade of streets, this revenue stream cannot keep pace with the long-term needs for road restoration, repair, and maintenance. In addition, State Highway User Revenue transfers to municipalities were cut 90% in 2009, and have not been fully restored to the State budget. For Centreville, this cut reduced revenue by more than \$150,000. The Town recently bid and completed a major reconstruction of Railroad Avenue (Route 304), Newnam Avenue, and portions of Water and Green Streets. The sidewalk connection and certain water main and lateral replacements were completed first. Subsequently, the roadway, curb, gutter, and stormwater systems were replaced. Bond financing for this project was obtained in 2012. In the North Brook subdivision Phase II roadways and utilities were dedicated to the Town in fiscal year 2013.

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Subsequent Items for Future Financial Statements** (continued)

**Roads** (continued)

Future roads projects are being evaluated and consideration of costs for future engineering and reconstruction are being considered as a five to ten year capital budget is being updated. Road maintenance and integration of major road projects with utility upgrades must continue to be part of the Town's long-term capital planning but is likely contingent upon financing proposals.

**Utilities: Overview**

The administration of the Town's water and wastewater utilities is governed by Chapter 118 of the Centreville Code, as well as a Capacity Management Plan and a Water and Sewer Allocation Policy adopted by the Town Council. The policy and planning tools provide technical and administrative guidance with which to regulate and allocate utility resources. Financial planning will assure that the costs for each component of these two utilities is adequately reflected in the relevant charges and appropriately billed to current or future customers. The planning for adequate future utility infrastructure will also affect the rate and extent to which additional development occurs within the Town. Long-term financing for utility infrastructure has been obtained from various sources including Maryland Department of Environment's (MDE) Water Quality Financing, Community Development Administration and the United States Department of Agriculture. The Town continues to seek low interest rate loans to assist in funding future infrastructure improvements.

**Water System: Overview**

The municipal water system requires significant infrastructure and operational capability to assure the availability, treatment, storage, and distribution of water for drinking and other uses, including fire control.

**Water System: Availability**

The availability of permitted sources of water for the municipal water system is presently sufficient to meet near term demand, and the pumping capabilities are scaled to pump significant additional volumes of water, if needed. However, significant increased demand and growth in the future will require seeking additional permits for water appropriations from state regulators (MDE).

**Water System: Treatment**

Since 2006, the Town has added advanced treatment systems to the two wells now supplying drinking water to the Town. The Well 6 Water Treatment Facility (WTF) on Wexford Drive was completed in 2007, and a second and similar WTF at Well 5 in Centreville Business Park was completed in 2008. These two facilities have sufficient capacity to meet treatment needs well into the future.

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Subsequent Items for Future Financial Statements** (continued)

**Water System: Storage**

The Town owns three elevated water storage tanks. The 200,000 gallon Powell Street tank is more than 35 years old. In 2007, the Town also took ownership of an aging and relocated 100,000 gallon tank located on Wexford Drive. An assessment has been completed to prioritize the upgrades to these tanks and the Town intends to rehabilitate these two structures in FY2014 and FY2015. The Comet Drive tank has a 300,000 gallon capacity. It was repainted in 2009, and is in very good condition. The draft report on the Water Distribution System provided by the Town engineers in 2007 indicates that approximately 600,000 gallons of additional elevated water storage is desirable in the near term to maintain an adequate supply and pressure of water for drinking and fire control; even larger volumes will be needed as the Town grows. During 2010, the Town contracted with the County to obtain a one acre site at the eastern edge of Town for construction of this additional storage capacity. These needs warrant the Town's additional financial appropriations and will impact future capital expenditures.

**Water System: Distribution**

In addition to distribution system upgrades integrated with the roads projects as described previously, engineering and design for lateral replacements on Liberty Street were completed in 2010 but were not funded, given the cost of resurfacing the State Highway (Rte 213). The draft report on the Water Distribution System also called for additional water line looping along Route 304 on the east side of Town to increase flow for fire control and service redundancy. Designs for this loop are completed in anticipation of growth to the east of Town, and additional piping and meter replacements should also be considered for older areas of the system. These needs warrant additional appropriations for construction and debt service and will impact future capital expenditures.

**Wastewater System: Overview**

The municipal wastewater system requires significant infrastructure and operational capability to assure the sanitary collection and treatment of raw wastewater and the storage and discharge of treated wastewater. Among these components, treatment and discharge capacity are the limiting factors, given existing commitments through Public Works Agreements.

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Subsequent Items for Future Financial Statements** (continued)

**Wastewater System: Collection**

Wastewater collection systems transport wastewater from sources through sanitary sewer pipes and pump stations to a treatment facility. Four of the Town's five pump stations are new or recently upgraded, but additional improvements are needed. During FY2013 upgrades to the communication systems at the Town's North, South and Symphony Village Pump Stations was completed. Also included in this upgrade was installation of new communications systems equipment at the Wharf and Cypress Street Pump Stations and at the wastewater treatment facility. The Mission communications system tracks actual flow through the various pump stations and remotely monitors data. This system is critical to state mandated capacity management plan directives. Total wastewater flows are directly affected by the additional unwanted volumes that may come from inappropriate connections to the sanitary sewer (inflow) or seepage into the system from groundwater sources (infiltration). These flows directly impact the Town's capacity to treat and dispose of wastewater by adding unnecessary volume. Eliminating these undesirable flows from the wastewater system provides additional net capacity for the Town's current and future customers.

The Town completed the second phase of an Inflow and Infiltration (I&I) Study in 2006, which determined actual and potential external sources of flow and recommended solutions to these problems. The results of this study provide a prioritized methodology for upgrading the sewer collection system while providing a cost effective means by which to add wastewater capacity. These upgrades have been initiated in the order of priority established in the study. During 2010, sewer mains and laterals were televised and lined – and cleanouts installed – on Railroad Avenue and Liberty Street. Manholes were also upgraded on these roadways as well as on Commerce Street. Those upgrades already completed have had quantifiable success in reducing inflow and infiltration by nearly 100,000 gallons per day (gpd), thereby increasing the system's net capacity. These needs warrant additional appropriations for construction and debt service and will impact future capital expenditures.

**Wastewater System: Treatment**

The Town's engineers believe the wastewater treatment facility (WWTF) is able to treat up to 542,000 gpd, but there are challenges inherent in the State regulatory process to increasing the rating of the facility. During 2013, the Town concluded a lengthy process to increase the rating of the WWTF to 542,000 gpd. The existing treatment system is scalable, and with the installation of a new equalization tank, digester, and a third reactor, can increase capacity to 750,000 gpd to meet possible future demand. During 2011, the Town upgraded the WWTF electrical systems and tanks to install dissolved oxygen sensors, which are intended to enhance biological processes and reduce operational costs. The Town also installed solar panels at the North Pump Station to offset the costs of electricity consumption.

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Subsequent Items for Future Financial Statements** (continued)

**Wastewater System: Discharge**

A limiting factor in providing additional wastewater allocations lies in the ability to discharge treated wastewater. The Town is permitted to discharge 542,000 gpd to surface water (Gravel Run) during four months of the year, and is permitted year-round discharge of 542,000 gpd to ground water (at the Centreville Water Reuse Area, a farm also known as the Sprayfield). However, the ground water discharge permit is dependent on suitable weather and farming conditions. Moderate additional capacity remains in the existing Sprayfield facility with the addition of infrastructure, but long-term needs will generally depend upon the availability of additional land for spray disposal, expansion of the stream discharge pipe further into the Corsica River, or other technologies. During 2011, the Town completed a study outlining next steps to increase effluent discharge capacity.

**Stormwater Management**

In recent years, the Town has completed several major stormwater management projects, constructing conveyances such as bioswales and replacing stormwater piping, as well as installing stormwater treatment facilities to improve stormwater quality. These facilities include biofilters, rain gardens, coastal plains outfalls, and a wooded wetland. While these installations have been largely grant-funded, long-term capital planning will need to include the cost of maintaining and replacing these facilities. In 2012, State legislation mandated regulation to make this a utility function, and to require enhancements to such systems or new infrastructure to reduce pollutant loads and prevent flooding. Consideration should be given to the equity of implementing such an enterprise to generate funding for these systems based on the amount of stormwater generated rather than on property value. During FY2013 the Town awarded bids to several area engineering firms to assist the Town in designing storm water quality retrofits at various locations reducing the stormwater runoff and striving to meet the goals of the Corsica River Watershed Restoration Action Strategy (WRAS). Construction for these projects will span FY2014 and FY2015.

**Municipal Facilities**

The Town's employees are scattered among five municipal buildings. Further growth will require hiring additional employees who will need a suitable workplace. The Town acquired two vacant parcels in 2007, and the Council has discussed construction of a new municipal building, shared space with other government entities, and expansion or acquisition of an existing building to accommodate new staff. In 2012, the Town purchased the Centreville Wharf building to implement the Plan's vision of the Wharf as an economic development engine and recreational area. The cost of maintenance of this facility and the income from rental tenants will vary with market conditions. The Wharf building was purchased outright through reserves, but debt service for the Town's previous acquisition of the adjacent Wharf parcel will continue for the next 22 years.

**TOWN OF CENTREVILLE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Contacting the Town's Financial Management**

This financial report is designed to provide the Town's citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Town of Centreville, 101 Lawyers Row, Centreville, Maryland 21617 or visit our website: [www.TownofCentreville.org](http://www.TownofCentreville.org).

**TOWN OF CENTREVILLE, MARYLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents - unrestricted	\$ 2,289,110	\$ 4,390,261	\$ 6,679,371
Investments	3,890,570	114,746	4,005,316
Accounts receivable - taxes	86,786	-	86,786
Accounts receivable - accounts - net	239,981	2,423,773	2,663,754
Accounts receivable - grants	55,693	-	55,693
Accounts receivable - interest	22,740	-	22,740
Note receivable	105,959	-	105,959
Due from/(to) other funds	747,946	(747,946)	-
Total Current Assets	<u>7,438,785</u>	<u>6,180,834</u>	<u>13,619,619</u>
Noncurrent Assets			
Construction in progress	773,839	495,342	1,269,181
Capital assets, net	12,301,626	21,657,860	33,959,486
Total Noncurrent Assets	<u>13,075,465</u>	<u>22,153,202</u>	<u>35,228,667</u>
<b>TOTAL ASSETS</b>	<u>20,514,250</u>	<u>28,334,036</u>	<u>48,848,286</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>89,676</u>	<u>-</u>	<u>89,676</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 20,603,926</u>	<u>\$ 28,334,036</u>	<u>\$ 48,937,962</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 190,284	\$ 71,189	\$ 261,473
Accrued payroll expense	2,915	6,336	9,251
Unearned revenue	-	1,978,565	1,978,565
Current portion of long-term debt	278,142	406,151	684,293
Current portion of compensated absences	32,423	-	32,423
Total Current Liabilities	<u>503,764</u>	<u>2,462,241</u>	<u>2,966,005</u>
Noncurrent Liabilities			
Compensated absences, net of current portion	100,767	-	100,767
OPEB liability	282,708	-	282,708
Net pension liability	607,805	-	607,805
Long-term debt, net of current portion and unamortized discount of \$2,006	4,856,043	5,564,361	10,420,404
Total Noncurrent Liabilities	<u>5,847,323</u>	<u>5,564,361</u>	<u>11,411,684</u>
<b>TOTAL LIABILITIES</b>	<u>6,351,087</u>	<u>8,026,602</u>	<u>14,377,689</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>66,528</u>	<u>-</u>	<u>66,528</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,941,280	16,182,690	24,123,970
Restricted	3,918,158	-	3,918,158
Unrestricted	2,326,873	4,124,744	6,451,617
<b>TOTAL NET POSITION</b>	<u>14,186,311</u>	<u>20,307,434</u>	<u>34,493,745</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 20,603,926</u>	<u>\$ 28,334,036</u>	<u>\$ 48,937,962</u>

See accompanying notes to financial statements.



**TOWN OF CENTREVILLE, MARYLAND  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015**

**RECONCILIATION OF TOTAL GOVERNMENTAL  
FUND BALANCE TO NET POSITION OF  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2015**

	General Fund	Capital Projects Fund	Permanent Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ 2,151,450	\$ -	\$ 137,660	\$ 2,289,110
Investments	89,702	-	3,800,868	3,890,570
Accounts receivable - taxes	86,786	-	-	86,786
Accounts receivable - accounts - net	239,981	-	-	239,981
Accounts receivable - grants	55,693	-	-	55,693
Accounts receivable - interest	-	52	22,688	22,740
Prepaid expenses	-	-	-	-
Notes receivable	105,959	-	-	105,959
Due from other funds	1,128,427	-	-	1,128,427
<b>TOTAL ASSETS</b>	<u>3,857,998</u>	<u>52</u>	<u>3,961,216</u>	<u>7,819,266</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 3,857,998</u>	<u>\$ 52</u>	<u>\$ 3,961,216</u>	<u>\$ 7,819,266</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 190,284	\$ -	\$ -	\$ 190,284
Accrued payroll	2,915	-	-	2,915
Due to other funds	144,575	-	235,906	380,481
Current portion of compensated absences	32,423	-	-	32,423
<b>TOTAL LIABILITIES</b>	<u>370,197</u>	<u>-</u>	<u>235,906</u>	<u>606,103</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	72,814	-	-	72,814
<b>FUND BALANCES</b>				
Non-spendable	105,959	-	3,725,310	3,831,269
Restricted	233,134	-	-	233,134
Committed	94,838	52	-	94,890
Unassigned	2,981,056	-	-	2,981,056
<b>TOTAL FUND BALANCES</b>	<u>3,414,987</u>	<u>52</u>	<u>3,725,310</u>	<u>7,140,349</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 3,857,998</u>	<u>\$ 52</u>	<u>\$ 3,961,216</u>	<u>\$ 7,819,266</u>

*Total Governmental Fund Balances* \$ 7,140,349

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 13,075,465

Receivables pertaining to revenues that are not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds. 95,962

Long-term liabilities, including bonds and notes not due and payable in the current period and payable, OPEB, and compensated absences are therefore are not reported in the funds. (6,125,465)

*Net Position of Governmental Activities* \$ 14,186,311

See accompanying notes to financial statements.

**TOWN OF CENTREVILLE, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Capital Projects Fund	Permanent Fund	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 1,936,460	-	-	\$ 1,936,460
Local income taxes	414,631	-	-	414,631
Intergovernmental revenue	688,396	-	-	688,396
Licenses and permits	145,757	-	-	145,757
Charges for services	354,241	-	-	354,241
Miscellaneous revenue				
Other	99,841	-	-	99,841
Investment earnings	4,742	-	92,333	97,075
Gains, losses and changes in fair market value	-	-	85,599	85,599
Fees	-	-	(10,239)	(10,239)
<b>Total Revenues</b>	<u>3,644,068</u>	<u>-</u>	<u>167,693</u>	<u>3,811,761</u>
<b>EXPENDITURES</b>				
General government	817,382	-	-	817,382
Public safety	1,130,981	-	-	1,130,981
Public works	985,014	-	-	985,014
Parks and recreation	33,782	-	-	33,782
Cemetery	25,763	-	-	25,763
Stormwater/watershed	175,290	-	-	175,290
Centreville wharf	9,246	-	-	9,246
Capital outlays	174,783	529,286	-	704,069
Debt service				
Principal	270,005	-	-	270,005
Interest	246,579	-	-	246,579
<b>Total Expenditures</b>	<u>3,868,825</u>	<u>529,286</u>	<u>-</u>	<u>4,398,111</u>
<b>Excess of revenues over (under) expenditures and other financing uses</b>	<u>(224,757)</u>	<u>(529,286)</u>	<u>167,693</u>	<u>(586,350)</u>
<b>Other financing sources (uses)</b>				
Proceeds from long term debt	-	529,286	-	529,286
Transfers in (out)	120,000	-	(120,000)	-
<b>Total other financing sources (uses)</b>	<u>120,000</u>	<u>529,286</u>	<u>(120,000)</u>	<u>529,286</u>
<b>Excess of revenue and other financing sources over (under) expenditures and other financing uses</b>	<u>(104,757)</u>	<u>-</u>	<u>47,693</u>	<u>(57,064)</u>
<b>Fund balance, beginning of year</b>	<u>3,519,744</u>	<u>52</u>	<u>3,677,617</u>	<u>7,197,413</u>
<b>Fund balance, end of year</b>	<u>\$ 3,414,987</u>	<u>\$ 52</u>	<u>\$ 3,725,310</u>	<u>\$ 7,140,349</u>

*Net Change in Fund Balances - Total Governmental Funds* \$ (57,064)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Governmental funds report property taxes receivable less the amount not collected within the sixty-day post-year end period. However, in the Statement of Activities the full property taxes receivable is reported.

Pension expense pertaining to the net pension liability is not reported in the funds.

Increases in deferred inflows of resources relating to state income taxes do not provide current financial resources and are not reported as revenue in the funds.

Some expenses, representing the change in long-term liabilities or assets reported in the Statement of Activities, including compensated absences and OPEB expenses, do not use current financial resources and are not reported as expenditures in the governmental funds.

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

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.

*Change in Net Position of Governmental Activities* \$ (312,137)

See accompanying notes to financial statements.

**TOWN OF CENTREVILLE, MARYLAND**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	Enterprise Fund	Total
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 4,390,261	\$ 4,390,261
Investments	114,746	114,746
Accounts receivable - accounts	2,423,773	2,423,773
Due from other funds	380,481	380,481
Total Current Assets	<u>7,309,261</u>	<u>7,309,261</u>
Noncurrent Assets		
Construction in progress	495,342	495,342
Capital assets, net	21,657,860	21,657,860
Total Noncurrent Assets	<u>22,153,202</u>	<u>22,153,202</u>
<b>TOTAL ASSETS</b>	<u>29,462,463</u>	<u>29,462,463</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 29,462,463</u>	<u>\$ 29,462,463</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 71,189	\$ 71,189
Accrued payroll expense	6,336	6,336
Unearned revenue	1,978,565	1,978,565
Due to other funds	1,128,427	1,128,427
Current portion of long-term debt	406,151	406,151
Total Current Liabilities	<u>3,590,668</u>	<u>3,590,668</u>
Noncurrent Liabilities		
Long-term debt, net of current liabilities	5,564,361	5,564,361
Total Noncurrent Liabilities	<u>5,564,361</u>	<u>5,564,361</u>
<b>TOTAL LIABILITIES</b>	<u>9,155,029</u>	<u>9,155,029</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	16,182,690	16,182,690
Unrestricted	4,124,744	4,124,744
<b>TOTAL NET POSITION</b>	<u>20,307,434</u>	<u>20,307,434</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 29,462,463</u>	<u>\$ 29,462,463</u>

See accompanying notes to financial statements.

**TOWN OF CENTREVILLE, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Enterprise Fund</u>	<u>Total</u>
<b>Operating Revenues</b>		
Charges for services	\$ 1,754,927	\$ 1,754,927
<b>Total Operating Revenues</b>	<u>1,754,927</u>	<u>1,754,927</u>
<b>Operating Expenses</b>		
Salaries and benefits	764,966	764,966
Contractual services	411,135	411,135
Chemicals, labs and operating supplies	123,880	123,880
Utilities	177,196	177,196
Repairs and maintenance	78,033	78,033
Other operating	4,212	4,212
Depreciation	650,029	650,029
<b>Total Operating Expenses</b>	<u>2,209,451</u>	<u>2,209,451</u>
<b>Operating Loss</b>	<u>(454,524)</u>	<u>(454,524)</u>
<b>Non-operating Revenues (Expenses)</b>		
Grant income	-	-
Investment earnings	25,684	25,684
Administrative fees	(21,694)	(21,694)
Interest expense	(206,440)	(206,440)
<b>Net Non-operating Revenues (Expenses)</b>	<u>(202,450)</u>	<u>(202,450)</u>
<b>Loss Before Contributions and Transfers</b>	(656,974)	(656,974)
<b>Transfers (to) from other funds</b>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	(656,974)	(656,974)
<b>Total net position at beginning of year</b>	<u>20,964,408</u>	<u>20,964,408</u>
<b>Total net position at end of year</b>	<u>\$ 20,307,434</u>	<u>\$ 20,307,434</u>

See accompanying notes to financial statements.

**TOWN OF CENTREVILLE, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise Fund	Total
Cash flows from operating activities		
Cash received from customers	\$ 1,748,048	\$ 1,748,048
Cash paid to suppliers, services etc.	(1,055,708)	(1,055,708)
Cash paid to employees	(758,416)	(758,416)
Net cash provided by operating activities	(66,076)	(66,076)
Cash flows from capital and related financing activities		
Purchases of capital assets	(169,351)	(169,351)
Proceeds of new debt	87,561	87,561
Principal paid on debt	(423,479)	(423,479)
Loan administrative fees	(21,694)	(21,694)
Interest paid on capital debt	(206,440)	(206,440)
Net cash (used) for capital and related financing activities	(733,403)	(733,403)
Cash flows from non-capital financing activities		
Transfers (to) from other funds	614,517	614,517
Net cash provided for non-capital financing activities	614,517	614,517
Cash flows from investing activities		
Interest and dividends	25,507	25,507
Net cash provided by investing activities	25,507	25,507
Net increase in cash and cash equivalents	(159,455)	(159,455)
Cash and cash equivalents at beginning of year	4,549,716	4,549,716
Cash and cash equivalents at end of year	\$ 4,390,261	\$ 4,390,261
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (454,524)	\$ (454,524)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	650,029	650,029
Changes in assets and liabilities:		
Decrease in accounts receivable	303,441	303,441
Decrease in other receivables	-	-
Increase in accounts payable	(261,252)	(261,252)
Decrease in unearned revenue	(310,320)	(310,320)
Increase in accrued expenses	6,550	6,550
Cash provided by operating activities	\$ (66,076)	\$ (66,076)

See accompanying notes to financial statements.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial 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.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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.

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 revenues, 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 revenues 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. Revenues which are not classified as program revenues are presented as general revenues. 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 use are 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 FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 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 revenues are recognized in the accounting period in which they become 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 revenues.

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

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are 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 FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Proprietary Funds**

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. Revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Operating revenues are comprised primarily of charges for services, and non-operating revenues are 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, 2015 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**Receivables**

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

Receivables at June 30, 2015 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 \$25,716 as of June 30, 2015.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**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.

**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 FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 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 revenues, expenditures, and expenses. Actual results could vary from the estimates that were used.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**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.

*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.

**TOWN OF CENTREVILLE, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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 to spend first when other unrestricted fund balance classifications are available for use.

The Town adopted new accounting guidance, GASB No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No 68* as of July 1, 2014. These statements revise existing standards for accounting and financial reporting by state and local governments for pensions. In accordance with the adoption of these Statements, the Town restated beginning net position in the governmental activities by (\$590,296), from \$15,088,744 to \$14,498,448.

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

**Budget Requirements, Accounting, and Reporting**

**Requirements for all funds:**

Annual budgets are adopted for the Town's General and Capital Projects funds. At least 32 days prior to July 1 of each year, the Council is presented with a proposed budget. The Town Council may subsequently amend the budget, and the budget was amended during fiscal year 2015. 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.

**NOTE 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 Deposit Insurance Corporation, 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.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3 – DEPOSITS AND INVESTMENTS – continued**

**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 \$7,298,890 and the bank balances totaled \$7,412,368. Of the bank balances, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC). CNB has issued an irrevocable letter of credit for \$10 million, balances maintained above the letter of credit limit are covered by securities held by CNB, pledged to secure the Town's deposits. All certificates of deposits are investments. At year end, the Town's bank balances were not exposed to any custodial credit risk because all deposits were fully insured or collateralized.

**Investment Policies**

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

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

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

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Town policy provides that investment collateral is held by a third party custodian with whom the Town has a current custodial agreement in the Town's name. Of the \$4,005,316 of investments, \$3,385,797 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 \$619,519 is collateralized with CNB as described above.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3 – DEPOSITS AND INVESTMENTS – continued**

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.

**Investments**

Cash and investments reported in the financial statements comprised of the following as of June 30, 2015:

	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Rating</u>
Bank deposits (checking accounts, saving accounts and certificates of deposit)	\$ 7,371,500	\$ 7,371,500	N/A
Federal Home Loan Mortgage Corp.	251,076	260,397	AAAm
Federal National Mortgage Assn.	1,052,457	1,097,010	AAAm
Federal Home Loan Bank	1,075,584	1,097,248	AAAm
Federal Farm Credit Bank	722,958	740,202	AAAm
Tennessee Valley Authority	211,112	223,107	AAAm
	<u>\$ 10,684,687</u>	<u>\$ 10,789,464</u>	

Note: Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

**TOWN OF CENTREVILLE, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

At June 30, 2015, due from other governments, a component of taxes receivable was comprised of the following:

<u>General Fund</u>	
Highway user tax	\$ 7,831
Real estate tax	6,141
Income tax	<u>72,814</u>
	<u><u>\$ 86,786</u></u>

**NOTE 5 - INTERFUND TRANSFERS AND BALANCES**

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

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

	Due From Other Funds	Due to Other Funds	Net Balance
<b>Governmental Activities</b>			
General fund	\$ 1,128,427	\$ 144,575	\$ 983,852
Capital projects	-	-	-
Permanent fund	-	235,906	(235,906)
<b>Total Governmental Activities</b>	<u><u>\$ 1,128,427</u></u>	<u><u>\$ 380,481</u></u>	<u><u>\$ 747,946</u></u>
 <b>Business-type Activities</b>	 <u><u>\$ 380,481</u></u>	 <u><u>\$ 1,128,427</u></u>	 <u><u>\$ (747,946)</u></u>

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 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 2015 is \$.38 per \$100 of assessed value for real property, and the public utility property tax of \$1.06 per \$100 of assessed value. The Town has no personal property taxes.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 7 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Not being depreciated:				
Land	\$ 2,877,305	\$ -	\$ -	\$ 2,877,305
Construction in progress	672,119	101,720	-	773,839
Subtotal	<u>3,549,424</u>	<u>101,720</u>	<u>-</u>	<u>3,651,144</u>
Depreciable capital assets:				
Buildings and improvements	14,565,056	549,502	-	15,114,558
Equipment	1,393,071	52,847	-	1,445,918
Subtotal	<u>15,958,127</u>	<u>602,349</u>	<u>-</u>	<u>16,560,476</u>
Total capital assets	<u>19,507,551</u>	<u>704,069</u>	<u>-</u>	<u>20,211,620</u>
Accumulated depreciation:				
Buildings and improvements	5,340,571	\$ 663,525	-	6,004,096
Equipment	1,041,404	90,655	-	1,132,059
Subtotal, accumulated depreciation	<u>6,381,975</u>	<u>754,180</u>	<u>-</u>	<u>7,136,155</u>
Net capital assets	<u>\$ 13,125,576</u>	<u>\$ (50,111)</u>	<u>\$ -</u>	<u>\$ 13,075,465</u>

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 12,536
Public safety	36,311
Public works	603,893
Parks and recreation	20,050
Stormwater/watershed	54,909
Centreville Wharf	26,481
Total government activities depreciation expense	<u>\$ 754,180</u>

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 7 – CAPITAL ASSETS AND DEPRECIATION – continued**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Not being depreciated:				
Land	\$ 1,160,863	\$ -	\$ -	\$ 1,160,863
Construction in progress	325,992	169,351	-	495,343
Subtotal	<u>1,486,855</u>	<u>169,351</u>	<u>-</u>	<u>1,656,206</u>
Depreciable capital assets:				
Buildings and improvements	26,791,739	-	-	26,791,739
Equipment	409,892	-	-	409,892
Subtotal	<u>27,201,631</u>	<u>-</u>	<u>-</u>	<u>27,201,631</u>
Total capital assets	<u>28,688,486</u>	<u>169,351</u>	<u>-</u>	<u>28,857,837</u>
Accumulated depreciation:				
Buildings and improvements	5,779,642	630,077	-	6,409,719
Equipment	274,964	19,952	-	294,916
Subtotal accumulated depreciation	<u>6,054,606</u>	<u>650,029</u>	<u>-</u>	<u>6,704,635</u>
Net capital assets	<u>\$ 22,633,880</u>	<u>\$ (480,678)</u>	<u>\$ -</u>	<u>\$ 22,153,202</u>

Depreciation was charged as follows:

<b>Business-type activities:</b>	
Sewer	\$ 446,601
Water	203,428
Total business-type activities depreciation expense	<u>\$ 650,029</u>

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 7 – CAPITAL ASSETS AND DEPRECIATION - continued**

**Construction Commitments**

During May 2012, the Town received bond proceeds from a bond issuance from Community Development Administration, an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland (the Administration), in connection with the Local Government Infrastructure Financing Program. The general obligation bond is to be used to finance or refinance infrastructure projects undertaken by the Town. The bond issuance consists of the principal amount of \$2,555,540, for the purpose of street infrastructure improvements, water distribution system improvements, or refinancing previously issued debt. The proceeds of the bond shall be held and invested by the Administration in its sole discretion and shall be administered and disbursed by the Administration pursuant to a Repayment Agreement. Proceeds of the bond shall be used when and as required to pay project costs.

The Town of Centreville had participated in a prior bond issuance during May 2007 from Community Development Administration, an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland (the Administration), in connection with the Local Government Infrastructure Financing Program. The Town has used these general obligation bonds to finance various infrastructure projects undertaken by the Town. The bond issuance consisted of an aggregate principal amount not to exceed \$7,500,000, for the purpose of street improvements, wastewater collection system improvements, water distribution system improvements, and water treatment system construction (collectively the Project). The proceeds of the bonds are held and invested by the Administration in its sole discretion and administered and disbursed by the Administration pursuant to a Repayment Agreement. The remaining proceeds shall be used to pay Project costs associated with the continued infrastructure improvements.

In April 2013 the Town of Centreville awarded a bid for the reconstruction of Railroad Avenue to include mill and overlay, new and/or replacement curbs, sidewalks and ADA sidewalk ramps and new or replacement drainage piping and inlets. The bid award also included two alternate bids; the first alternate to include replacement of water service laterals and select valves and hydrants on Railroad Avenue from South Commerce Street to Kidwell Avenue. Project costs for the base bid and two alternate bids were estimated to be \$2,262,674. The proceeds from 2007 and 2012 bonds will be used to fund the costs of this bid award. A substantial portion of the project was completed in fiscal year '14. The street renovation for Broadway Avenue began in fiscal year '15 and will continue into fiscal year '16. Additional streets to be reviewed for reconstruction are Kidwell, Brown, Pennsylvania, Tilghman, and Happy Lady.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 7 – CAPITAL ASSETS AND DEPRECIATION - continued**

**Construction Commitments - continued**

The Town of Centreville negotiated a contract for the purchase of the Centreville Wharf building located at Water Way and Watson Road just prior to fiscal year end 2012. The Town leases office space to businesses to encourage economic development along the Wharf area hoping to encourage a thriving urban development to the surrounding community. The Town also is in need of suitable work space and is planning to use this property as a temporary solution for additional employee office space in fiscal year 2015. The Town was awarded a community legacy grant to upgrade the interior of the building to make the leasable space more appealing to current and future lessees.

The Town of Centreville has continued to make improvements to the infrastructure, as part of the Town's stormwater management effort to reduce stormwater runoff and to meet the goals of the Corsica River Watershed Restoration Action Strategy (WRAS). These projects are examples of the Town's ongoing efforts to improve its infrastructure and environment using external funding sources.

Another bid was awarded in July 2012 to provide engineering services for Phase 2 of the Centreville Wastewater Treatment Plant Stream Restoration. The goal of the project is to design a plan that will improve approximately 300 linear feet of impaired stream, assess degree of erosion and propose as natural as possible restoration.

The Powell Street parking lot is proposed to drain to an inlet which is piped directly to the newly improved outfall at the Wastewater Treatment Plant.

**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. The long term goal is to remove the dam and restore fish passage in Gravel Run to include approximately thirteen miles of stream habitat.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8 – LONG-TERM DEBT**

**Governmental Activities**

Bond payable, Community Development Administration Local Government Infrastructure Bonds 2007 Series A (Ambac Insured); payable in annual installments beginning May 1, 2008; interest at 4.225%; interest paid on unpaid principal installment amounts due and payable in semiannual payments commencing November 1, 2007; thereafter due first day of May and November each year; thereafter until maturity; the term for this obligation is 20 years. The principal balance outstanding as of June 30, 2015 was \$1,935,500 and the balance of undrawn proceeds was \$0.

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 as of June 30, 2015 was \$2,251,400 and the balance of undrawn proceeds was \$764,092.

Note payable, Centreville National Bank; payable in monthly installments of \$10,567, including principal and interest at 4.79%; final payment due June 7, 2037. The principal balance outstanding as of June 30, 2015 was \$1,711,353.

**Business-Type Activities**

Bond payable, Community Development Administration Local Government Infrastructure Bonds 2007 Series A (Ambac Insured); payable in annual installments beginning May 1, 2008; interest at 4.225%; interest paid on unpaid principal installment amounts due and payable in semiannual payments commencing November 1, 2007; thereafter due first day of May and November each year; thereafter until maturity; the term for this obligation is 20 years. The principal balance outstanding as of June 30, 2015 was \$1,845,436.

Bond payable, Community Development Administration Local Government Infrastructure Bonds 2007 Series A-1 (Ambac Insured); payable in annual installments beginning May 1, 2008; interest at 4.35%; interest paid on unpaid principal installment amounts due and payable in semiannual payments commencing November 1, 2007; thereafter due first day of May and November each year; thereafter until maturity; the term for this obligation is 30 years. The principal balance outstanding as of June 30, 2015 was \$1,584,500.

The balance of undrawn proceeds as of June 30, 2015 for the Bond Payable, Community Development Administration Local Government Bonds 2007 Series A and Series A-1 (Ambac Insured) is \$0.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8 – LONG-TERM DEBT – continued**

**Business-Type Activities - continued**

Bond payable, Water Quality Bond, Series 2002; payable in annual installments beginning February 1, 2003; interest at 1.2%; interest paid on unpaid principal installment amounts advanced under the loan agreement started on February 1, 2003 and semi-annually thereafter on the first day of August and February each year through February, 2015; maximum amount of loan commitment is \$3,900,000; final principal amount advanced \$2,065,583. An annual fee of \$9,184 is paid by the Town to MDE for administering the loan. The principal balance outstanding as of June 30, 2015 was \$0.

Loan payable, United States Department of Agriculture, Rural Development Loan; interest at 4.25%; payable on a quarterly basis beginning December 27, 2003; due September 29, 2043; unsecured. The principal balance outstanding as of June 30, 2015 was \$908,348.

Bond payable, Drinking Water Bond, Series 2010, payable in annual installments beginning February 1, 2011; interest at 1%; interest paid on the unpaid principal amounts advanced under the loan agreement started on August 1, 2010 and semi-annually thereafter on the first day of August and February each year through February, 2018; maximum principal amount of loan commitment is \$2,300,000. Final principal amount advanced was \$912,870. An annual fee of \$6,661 is paid by the Town to MDE for administering the loan. The principal balance outstanding as of June 30, 2015 was \$348,357.

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 as of June 30, 2015 was \$1,283,871.

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

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8 – LONG-TERM DEBT – continued**

The changes in long-term debt during the year ended June 30, 2015 follows:

	Water and Sewer Fund	Capital Projects Fund	General Long-term Debt	Compensated Absences	OPEB	Total
Beginning balance, July 1, 2014	\$ 6,306,430	\$ 4,414,350	\$ 1,753,932	\$ 221,576	\$ 200,808	\$ 12,897,096
Increase	87,561	-	-	-	81,900	169,461
Decrease	(423,479)	(227,450)	(42,555)	(120,809)	-	(814,293)
Ending balance, June 30, 2015	<u>\$ 5,970,512</u>	<u>\$ 4,186,900</u>	<u>\$ 1,711,377</u>	<u>\$ 100,767</u>	<u>\$ 282,708</u>	<u>\$ 12,252,264</u>
Less: undrawn proceeds	-	(764,092)	-	-	-	(764,092)
Total long-term debt, governmental		<u>\$ 3,422,808</u>	<u>\$ 1,711,377</u>	<u>\$ 100,767</u>	<u>\$ 282,708</u>	<u>\$ 11,488,172</u>
Total long-term debt, business-type	<u>\$ 5,970,512</u>					
Amount due in one year	<u>\$ 406,151</u>	<u>\$ 233,700</u>	<u>\$ 44,442</u>	<u>\$ 32,423</u>		

Long term debt service requirements are as follows:

Governmental Activities			
Year(s) Ended	Principal	Interest	Total
June 30			
2016	\$ 278,142	\$ 237,039	\$ 515,181
2017	286,675	227,738	514,413
2018	297,303	218,115	515,418
2019	309,647	207,978	517,625
2020	319,012	197,141	516,153
2021-2025	1,786,085	503,943	2,290,028
2026-2030	1,531,221	428,483	1,959,704
2031-2035	848,992	153,000	1,001,992
2036-2040	241,200	12,421	253,621
	<u>\$ 5,898,277</u>	<u>\$ 2,185,858</u>	<u>\$ 8,084,135</u>

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8 – LONG-TERM DEBT – continued**

Business-type Activities			
Year(s) Ended			
June 30	Principal	Interest	Total
2016	\$ 406,151	\$ 200,636	\$ 606,787
2017	415,513	190,922	606,435
2018	421,227	180,894	602,121
2019	314,658	170,592	485,250
2020	324,620	161,128	485,748
2021-2025	1,767,751	651,253	2,419,004
2026-2030	1,010,867	364,977	1,375,844
2031-2035	631,027	208,647	839,674
2036-2040	427,456	74,124	501,580
2041-2045	251,242	12,527	263,769
	\$ 5,970,512	\$ 2,215,700	\$ 8,186,212

The above payment schedules assume all remaining undrawn proceeds are drawn down. Interest expense was \$246,579 and \$57,864 for the governmental activities and the business-type activities, respectively, for the year ended June 30, 2015.

**NOTE 9 – DEFINED CONTRIBUTION PLAN**

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The Town has implemented this statement as of July 1, 2013.

The Town sponsored a defined contribution plan administered by Wagner Bowman Management Corp and ICMA-RC and was required to contribute 5% of earned income for eligible employees. Employees must be 21 years of age, employed for one year of continuous service, and credited with at least 1,000 hours of service for the plan year. During the fiscal year ended June 30, 2014, 23 employees participated in the plan. Participants were 100% vested upon entry into the Plan. The Town's pension expense was \$0, in 2015. The Town discontinued participation in the Town's pension plan upon entering the Maryland State Retirement Pension System in fiscal year 2014. Council directed no further employer contributions be made to the defined contribution plan after reconciling amounts due through June 30, 2013.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 – RETIREMENT PLAN**

The Town has adopted GASB No. 68 – *Accounting and Financial Reporting for Pensions* (“GASB 68”) for the year ended June 30, 2015. 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 \$607,805 as of the measurement date of June 30, 2014.

The Town has also adopted GASB No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No. 68*. GASB No. 71 requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources. The Town’s fiscal 2015 contribution of \$80,884 is therefore recognized as a pension-related deferred outflow of resources.

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

**A. Description of Plan**

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

The Employees’ Pension System of the State of Maryland (Pension System) was established January 1, 1980. The Pension System covers employees hired after December 31, 1979, as well as Retirement System participants who have voluntarily joined the Pension System. The Employees Contributory Pension System of the State of Maryland (Contributory Pension System) was established July 1, 1998. The Town elected to participate in the Contributory Pension System during fiscal year 2014.

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 FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 – RETIREMENT 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 Maryland State Retirement Agency issues a comprehensive annual financial report that includes disclosures regarding: plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The pension plans' fiduciary net position has been determined on the same basis used by the pension plans. The pension plans' financial statements are prepared on the accrual basis of accounting and are prepared in accordance with principles generally accepted in the United States of America that apply to governmental accounting for fiduciary funds. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Actual employer contributions billed to participating governmental units for the year ending June 30, 2014 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. The contributions were adjusted by increasing contributions by approximately \$598,000,000 to adjust for differences between actuarially determined contributions and actual contributions by the State of Maryland. This report can be obtained from the agency's office as follows:

State Retirement and Pension System of Maryland  
120 E. Baltimore Street, Suite 1601  
Baltimore, Maryland 21202-1600

**TOWN OF CENTREVILLE, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 10 – RETIREMENT PLAN – continued**

*Funding Policy*

Obligations to contribute to the plans are under the Annotated Code of Maryland. Members of the pension plan contribute 10% of annual compensation during employment. The required contribution rate is determined on an actuarially determined basis. During the year ended June 30, 2015 the Town contributed \$80,884. The Town contributed 100% of its required contribution for the year ended June 30, 2015. 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).

Required contributions under the plans are funded by both employee and Town contributions. Contributions by the Town take place during the fiscal year and are based upon salaries for the preceding fiscal year. The Town contributions for the year ending June 30, 2015 are based on salaries for the year ending June 30, 2014. The contribution requirements of plan members of the reporting entity are established and may be amended by the Maryland State Pension System Board of Trustees, and contributions by the Town are authorized by the Town Council. The required and actual contributions for the fiscal years ending June 30<sup>th</sup> were as follows:

	Fiscal Year Ending June 30		
	2015	2014	2013
Retirement plan contributions	<u>\$ 80,884</u>	<u>\$ 784,746</u>	<u>\$ 66,465</u>

The Town contributed \$80,884 to the System for fiscal year 2015 which was actuarially determined based on statutory provisions. The Town has also recognized in Pension Expense its proportionate share of the System's deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets and its proportionate share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 – RETIREMENT PLAN – continued**

Required disclosures aggregate for the plan:

	<u>Maryland State Pension System</u>
Total pension liability	\$ 63,086,719,000
Total fiduciary net position	45,339,988,000
Town's proportionate share of total pension liabilities	607,805
Town's proportionate share of net pension liabilities	0.000342%
Total pension assets	45,339,988,000
Measurement date of collective net pension liability	June 30, 2014
Date of actuarial valuation	June 30, 2014
Deferred outflows related to pensions	89,676
Deferred inflows related to pensions	66,528
Pension expense/expenditures for the period	5,639

*Actuarial assumptions*

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2014 rolled forward to June 30, 2015. The key assumptions used to perform the June 30, 2015 pension liability calculation for the System are as follows:

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset valuation method	5-year smoothed market; 20% collar
Inflation (b)	2.90% general, 3.4% wage
Salary Increases	3.40% to 11.9%, including inflation
Discount Rate (a)	7.65%
Investment Rate of Return (b)	7.65%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2006-2010.
Mortality	RP-2000 Combined Healthy Mortality Table projected to the year 2025

- (a) Discount rate at prior measurement date was 7.70%.
- (b) There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2014 valuation:
- a. Investment return assumption changed from 7.70% to 7.65%.
  - b. Inflation assumption changed from 2.95% to 2.90%.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 – RETIREMENT PLAN – continued**

The components of the net pension liability for the System as of June 30, 2014, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total Pension Liability	\$63,086,719,000
Plan Fiduciary Net Position	<u>45,339,988,000</u>
Net Pension Liability	<u>\$17,746,731,000</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>71.87%</u>

**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%	4.70%
Fixed income	10%	2.00%
Credit opportunity	10%	3.00%
Real return	14%	2.80%
Absolute return	10%	5.00%
Private equity	10%	6.30%
Real estate	10%	4.50%
Cash	1%	1.40%
<b>Total</b>	<b>100%</b>	

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, 2014.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 – RETIREMENT PLAN – continued**

**Discount Rate**

A single discount rate of 7.65% 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 7.65%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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 7.65%, a single discount rate that is 1-percentage point lower (i.e., 6.65%), and a single discount rate that is 1-percentage point higher (i.e., 8.65%).

	1% Lower – 6.65%	Current Rate – 7.65%	1% Higher – 8.65%
The System's Net Pension Liability	\$25,575,273,000	\$17,746,731,000	\$11,189,338,000
The Town's Proportionate Share Of Net Pension Liability	\$875,924	\$607,805	\$383,222

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 – RETIREMENT PLAN – continued**

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

At June 30, 2015, the Town reported a liability of \$607,805 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2014, the Town's proportion was approximately 0.00034 percent.

For the year ended June 30, 2015, the Town recognized pension expense of \$81,900. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Changes of assumptions	\$8,792	\$ -
Net difference between projected and actual earnings on pension plan investments	-	66,528
Contributions subsequent to the measurement date	80,884	-
Total	\$89,676	\$66,528

The deferred outflow of resources of \$8,792 due to changes in assumptions and deferred inflows of resources of \$66,528 due to differences in projected and actual investment earnings represent the Town's proportionate share of the unamortized portions of the System's original amounts, which are being amortized over a five-year period beginning in fiscal 2015. These unamortized amounts will be ratably recognized in pension expense over the next four years. The deferred outflows of resources of \$80,884 relating to contributions subsequent to the measurement date will be recognized as a reduction of the Town's net pension liability in the year ended June 30, 2016.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 – RETIREMENT PLAN – continued**

**Net Pension Liability**

The components of the Town’s proportionate share of the Pension System’s net pension liability as of the measurement date of June 30, 2014 were as follows:

Total pension liability	\$	2,160,649
Plan Fiduciary Net Position		1,552,844
Net Pension Liability	<u>\$</u>	<u>607,805</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		<u>71.87%</u>

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS**

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

The medical benefits paid by the Town on behalf of the retirees were \$5,456, for the year ended June 30, 2015.

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

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

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS - continued**

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

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

Annual required contribution (normal cost)	\$	100,000
Adjustment to annual required contribution		(10,000)
Interest on net OPEB Obligation		8,000
Annual OPEB cost		98,000
Contributions made		(16,100)
Increase in net OPEB obligation		81,900
Net OPEB obligation - beginning of year		200,808
Net OPEB obligation - end of year	\$	282,708

The Town is not required by law or contractual agreement to provide funding for retiree benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees. The Town may contribute those amounts that the Town Council of Centreville appropriates. The accrued liability for benefits and unfunded actuarial accrued liability (UAAL) was \$850,000 and the actuarial value of assets was \$0 at June 30, 2015. The covered payroll (annual payroll of active employees covered by the Program) was \$1,247,730. The ratio of the unfunded actuarial liability to the covered payroll was 68%. The Program does not issue a publicly available financial report.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS - continued**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the ARC of the Town are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information, presents the results of OPEB valuations as of June 30, 2014; going forward, the schedule will eventually provide multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

**NOTE 12 – CONCENTRATIONS**

The Town derives most of its revenues, except grants, from its citizens. The Town provides various services to its residents. The Town is located in Queen Anne's County, Maryland. Credit is granted to its residents for back taxes and water bills. The Town may place a lien on any property associated with taxes and water services.

**NOTE 13 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to workers; and natural disasters. It is the Town's policy to eliminate the risk of loss in those areas through the purchase of commercial insurance. There have been no assessments during the year ended June 30, 2015, and the amount of settlements has not exceeded coverage for each of the past three years.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 14 – 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.

**Public Works Agreements**

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

To ensure that the developers associated with the PWA's satisfy their obligations under their respective agreements, the Town required the issuance of letters of credit for various amounts. These letters of credit remained unused and totaled \$3,588,872, as of June 30, 2015.

**Employment Contracts**

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

**Contractual Agreements**

The Town has an annual renewable agreement with Maryland Environmental Service (MES) to provide monitoring, laboratory, and reporting services to the Town.

The Town of Centreville has committed to a contract with MES to provide support services. This contract provides supervision to the Town's Water and Wastewater plant operators. This contract continues month-to-month until terminated.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 14 – COMMITMENTS AND CONTINGENCIES – continued**

As of June 2010, the Town awarded a contract to Bates Trucking and Trash Removal, Inc. to provide curbside garbage collection and single stream recycling to eligible residents and businesses of the Town. The contract term beginning September 2010 is for a two year period and provides the Town the ability to extend the contract for three additional one year terms. The contract was extended through December 2015. The total estimated cost of the service is \$152,640. The contract required the Town to pay all landfill fees. During this initial contract period, landfill fees totaled approximately \$125,000. The Town awarded a contract to Chesapeake Waste for garbage collection and single stream recycling. The contract term beginning January 2016 through June 2017 and provides for four additional one year terms. The total estimated cost of the service is \$330,143. In this contract with Chesapeake Waste, the landfill fees are included and are the contractors responsibility.

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

**Borrowing Limit**

In connection with the debt acquired in aggregate of \$12,252,264 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 \$493,265,254. Currently, the borrowing limit is \$98,653,051.

**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.

**NOTE 15 – FUND BALANCE REPORTING**

Fund balances for the Town's governmental funds consisted of the following as of June 30, 2015:

**Non-spendable Fund Balance**

At June 30, 2015, non-spendable fund balance was \$105,959 pertaining to notes receivable in the general fund and \$3,725,310 pertaining to principal in the permanent fund.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 15 – FUND BALANCE REPORTING – continued**

**Restricted Fund Balance**

At June 30, 2015, restricted fund balance was \$233,134 to perpetual care in the general fund.

**Committed Fund Balance**

At June 30, 2015, committed fund balance was \$94,890 pertaining to revolving housing funds of \$94,838 and \$52 for future capital projects in the capital projects fund.

**Unassigned Fund Balance**

Unassigned fund balance totals \$2,981,056 in the general fund.

**NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued the following statements:

Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, effective for financial statements for fiscal years beginning after June 15, 2015.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, issued June 2015, effective for financial statements for fiscal years beginning after June 15, 2015.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, issued June 2015, effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, effective for financial statements for fiscal years beginning after June 15, 2017.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015, effective for financial statements for fiscal years beginning after June 15, 2015.

Statement No. 77, *Tax Abatement Disclosures*, issued August 2015, effective for financial statements for fiscal years beginning after December 15, 2015.

The Town will implement these statements as necessary as of their effective dates. While the Town is still in the process of determining the effect of implementing these GASB statements, they are not expected to have a material effect on the financial position of the Town.

**TOWN OF CENTREVILLE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 21, 2016, the date that the financial statements were available to be issued.

The Town awarded a contract to Chesapeake Waste for garbage collection and single stream recycling. The contract term beginning January 2016 through June 2017 and provides the Town the ability to extend the contract for four additional one year terms.

No additional events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

**Town of Centreville, MD**  
**SCHEDULES OF REQUIRED PENSION-RELATED**  
**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**

	FY 2015
Town's proportion (%) of collective net pension liability	0.000342%
Town's proportionate share (\$) of collective net pension liability	\$ 607,805
Town's covered-employee payroll(\$)	\$ 1,402,901
Town's proportionate share of collective net pension liability as a percentage of its covered-employee payroll	43.32%
Pension plan's fiduciary net position as a percentage of the total pension liability	71.87%

**SCHEDULE OF THE TOWN'S PENSION PLAN CONTRIBUTIONS**  
**Last 10 Fiscal Years**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 80,884									
Contributions in relation to the contractually required contribution	80,884									
Contribution deficiency (excess)	-									
Town's covered-employee payroll	1,402,901									
Contributions as a percentage of covered-employee payroll	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  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (BUDGETARY BASIS) - General Fund  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Revenues from local sources				
Taxes				
Real property	\$ 1,915,151	\$ 1,915,151	\$ 1,882,780	\$ (32,371)
Personal property	39,000	53,680	53,680	-
Local income taxes	<u>363,000</u>	<u>363,000</u>	<u>414,631</u>	<u>51,631</u>
Total taxes	2,317,151	2,331,831	2,351,091	19,260
Licenses and permits				
Amusement	6,000	8,000	7,652	(348)
License distribution	10,000	10,000	10,388	388
Permits fees	80,000	80,000	70,490	(9,510)
Franchise fees	50,000	48,000	46,685	(1,315)
Other licenses and permits	<u>6,000</u>	<u>9,500</u>	<u>10,542</u>	<u>1,042</u>
Total licenses and permits	152,000	155,500	145,757	(9,743)
Charges for services				
General government	85,500	108,500	50,279	(58,221)
Public safety	43,000	35,000	35,057	57
Sanitation and waste removal	<u>264,500</u>	<u>264,500</u>	<u>268,905</u>	<u>4,405</u>
Total charges for services	393,000	408,000	354,241	(53,759)
Miscellaneous	<u>68,215</u>	<u>116,420</u>	<u>104,583</u>	<u>(11,837)</u>
Total revenues from local sources	<u>2,930,366</u>	<u>3,011,751</u>	<u>2,955,672</u>	<u>(56,079)</u>
Revenue from intergovernmental				
State				
Police protection	65,224	65,224	84,951	19,727
Highway user	107,110	107,110	107,685	575
Other state grants	<u>104,625</u>	<u>469,857</u>	<u>473,071</u>	<u>3,214</u>
Total state revenue	276,959	642,191	665,707	23,516
County				
Payments in lieu of taxes	-	-	22,689	22,689
Total county revenue	-	-	<u>22,689</u>	<u>22,689</u>
Total intergovernmental revenue	<u>276,959</u>	<u>642,191</u>	<u>688,396</u>	<u>46,205</u>
<b>Total revenue</b>	<u>\$ 3,207,325</u>	<u>\$ 3,653,942</u>	<u>\$ 3,644,068</u>	<u>\$ (9,874)</u>

**TOWN OF CENTREVILLE, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES (continued)**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - General Fund**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Expenditures</b>				
General government administration				
Legislative	\$ 45,458	\$ 47,958	\$ 40,417	\$ 7,541
Planning and zoning	79,668	72,540	67,993	4,547
General services	646,257	734,486	708,972	25,514
Total general government administration	<u>771,383</u>	<u>854,984</u>	<u>817,382</u>	<u>37,602</u>
Public safety				
Police	1,082,508	1,067,010	1,085,981	(18,971)
Volunteer fire and rescue services	45,000	45,000	45,000	-
Total public safety	<u>1,127,508</u>	<u>1,112,010</u>	<u>1,130,981</u>	<u>(18,971)</u>
Public works				
Waste collection	229,215	229,215	259,595	(30,380)
Highways and streets	615,645	615,645	725,419	(109,774)
Total public works	<u>844,860</u>	<u>844,860</u>	<u>985,014</u>	<u>(140,154)</u>
Parks and recreation	49,970	49,970	33,782	16,188
Cemetery	25,530	25,530	25,763	(233)
Stormwater/watershed	50,996	30,905	175,290	(144,385)
Centreville wharf	-	12,000	9,246	2,754
Capital outlay	2,552,270	508,733	174,783	333,950
Debt service	518,000	540,481	516,584	23,897
<b>Total expenditures</b>	<u>5,940,517</u>	<u>3,979,473</u>	<u>3,868,825</u>	<u>110,648</u>
Excess (deficiency) of revenue over expenditures before other financing sources	(2,733,192)	(325,531)	(224,757)	(100,774)
<b>Other financing sources</b>				
Bond/commercial financing	-	800,000	-	800,000
Operating transfers	120,000	120,000	120,000	-
Total other financing sources	<u>120,000</u>	<u>920,000</u>	<u>120,000</u>	<u>800,000</u>
Excess (deficiency) of revenue and other financing sources over expenditures	<u>\$ (2,613,192)</u>	<u>\$ 594,469</u>	<u>\$ (104,757)</u>	<u>\$ 699,226</u>
<b>Summary</b>				
Total revenue	\$ 3,207,325	\$ 3,653,942	\$ 3,644,068	\$ (9,874)
Total expenditures	<u>5,940,517</u>	<u>3,979,473</u>	<u>3,868,825</u>	<u>110,648</u>
Deficiency of revenue over expenditures	<u>\$ (2,733,192)</u>	<u>\$ (325,531)</u>	<u>\$ (224,757)</u>	<u>\$ 100,774</u>

**TOWN OF CENTREVILLE, MARYLAND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 OTHER POST-EMPLOYMENT BENEFITS PLAN  
 FOR THE YEAR ENDED JUNE 30, 2015**

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

Information for prior years not available

**TOWN OF CENTREVILLE, MARYLAND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 OTHER POST-EMPLOYMENT BENEFITS PLAN  
 FOR THE YEAR ENDED JUNE 30, 2015**

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

**SUPPLEMENTAL SCHEDULES**

**TOWN OF CENTREVILLE, MARYLAND  
SUPPLEMENTAL BALANCE SHEET - GENERAL FUND  
JUNE 30, 2015**

	General Fund	Revolving Housing Fund	Perpetual Care Fund	Total General Funds
<b>ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ 2,068,728	\$ 26,971	\$ 55,751	\$ 2,151,450
Investments	-	-	89,702	89,702
Accounts receivable - taxes	86,786	-	-	86,786
Accounts receivable - other - net	229,009	-	10,972	239,981
Accounts receivable - grants	55,693	-	-	55,693
Notes receivable	-	105,959	-	105,959
Due from other funds	983,851	67,867	76,709	1,128,427
<b>TOTAL ASSETS</b>	<u>3,424,067</u>	<u>200,797</u>	<u>233,134</u>	<u>3,857,998</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
	<u>\$ 3,424,067</u>	<u>\$ 200,797</u>	<u>\$ 233,134</u>	<u>\$ 3,857,998</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 190,284	\$ -	\$ -	\$ 190,284
Accrued payroll	2,915	-	-	2,915
Due to other funds	144,575	-	-	144,575
Current portion of compensated absences	32,423	-	-	32,423
<b>TOTAL LIABILITIES</b>	<u>370,197</u>	<u>-</u>	<u>-</u>	<u>370,197</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	<u>72,814</u>	<u>-</u>	<u>-</u>	<u>72,814</u>
<b>FUND BALANCES</b>				
Non-spendable	-	105,959	-	105,959
Restricted	-	-	233,134	233,134
Committed	-	94,838	-	94,838
Unassigned	2,981,056	-	-	2,981,056
<b>TOTAL FUND BALANCES</b>	<u>2,981,056</u>	<u>200,797</u>	<u>233,134</u>	<u>3,414,987</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
	<u>\$ 3,424,067</u>	<u>\$ 200,797</u>	<u>\$ 233,134</u>	<u>\$ 3,857,998</u>

**TOWN OF CENTREVILLE, MARYLAND**  
**SUPPLEMENTAL STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Revolving Housing Fund	Perpetual Care Fund	Total General Funds
<b>REVENUES</b>				
Property taxes	\$ 1,936,460	\$ -	\$ -	\$ 1,936,460
Local income taxes	414,631	-	-	414,631
Intergovernmental revenue	688,396	-	-	688,396
Licenses and permits	145,757	-	-	145,757
Charges for services	345,141	-	9,100	354,241
Miscellaneous revenue	104,499	-	84	104,583
<b>Total revenues</b>	<u>3,634,884</u>	<u>-</u>	<u>9,184</u>	<u>3,644,068</u>
<b>EXPENDITURES</b>				
General government administration	817,382	-	-	817,382
Public safety	1,130,981	-	-	1,130,981
Public works	985,014	-	-	985,014
Parks and recreation	33,782	-	-	33,782
Cemetery	25,763	-	-	25,763
Stormwater/watershed	175,290	-	-	175,290
Centreville wharf	9,246	-	-	9,246
Capital outlay	174,783	-	-	174,783
Debt service				
Principal	270,005	-	-	270,005
Interest	246,579	-	-	246,579
<b>Total expenditures</b>	<u>3,868,825</u>	<u>-</u>	<u>-</u>	<u>3,868,825</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(233,941)</u>	<u>-</u>	<u>9,184</u>	<u>(224,757)</u>
<b>Other financing sources (uses)</b>				
Proceeds of bond borrowings	-	-	-	-
Transfers in (out)	120,000	-	-	120,000
<b>Total other financing sources (uses)</b>	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>120,000</u>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<u>(113,941)</u>	<u>-</u>	<u>9,184</u>	<u>(104,757)</u>
<b>Fund balance, beginning of year</b>	<u>3,094,997</u>	<u>200,797</u>	<u>223,950</u>	<u>3,519,744</u>
<b>Fund balance, end of year</b>	<u>\$ 2,981,056</u>	<u>\$ 200,797</u>	<u>\$ 233,134</u>	<u>\$ 3,414,987</u>

**TOWN OF CENTREVILLE, MARYLAND  
SUPPLEMENTAL STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise Fund	Total
<b>Revenue</b>		
<b>Charges for services</b>		
Sewer allocation fees	\$ 374,130	\$ 374,130
Water allocation fees	221,324	221,324
Sewer	622,695	622,695
Water	461,244	461,244
Water penalty	17,899	17,899
Sewer vacant lots	19,197	19,197
Meter equipment	18,880	18,880
Connection charges	4,800	4,800
I&I study charges	(29,283)	(29,283)
Sale of crops	42,155	42,155
Other fines and forfeitures	1,886	1,886
<b>Total charges for services</b>	1,754,927	1,754,927
<b>Miscellaneous revenue</b>		
Grant revenue	-	-
Investment earnings	25,684	25,684
<b>Total miscellaneous revenue</b>	25,684	25,684
<b>Capital contributions</b>	-	-
<b>Total revenue</b>	1,780,611	1,780,611
<b>Operating Expenses</b>		
Sewer	1,303,563	1,303,563
Water	897,842	897,842
Farm	9,119	9,119
<b>Total operating expenses</b>	2,210,524	2,210,524
<b>Debt Service</b>		
Interest	206,224	206,224
Admin fees	20,837	20,837
<b>Total debt service</b>	227,061	227,061
<b>Total expenses</b>	2,437,585	2,437,585
<b>Change in net position</b>	\$ (656,974)	\$ (656,974)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Town Council  
Town of Centreville, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Centreville, Maryland (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 21, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April 21, 2016