

TOWN OF MOUNT AIRY, MARYLAND

FINANCIAL STATEMENTS

Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR’S REPORT	1 – 2
MANAGEMENT’S DISCUSSION AND ANALYSIS	3 – 12
FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities	14 – 15
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	20
Statement of Fund Net Position – Proprietary Fund	21
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	22
Statement of Cash Flows – Increase (Decrease) in Cash and Cash Equivalents – Proprietary Fund	23 – 24
NOTES TO FINANCIAL STATEMENTS	25 – 45

TABLE OF CONTENTS
(CONTINUED)

	<u>Page No.</u>
SUPPLEMENTAL SCHEDULES	
Schedule of the Town's Proportionate Share of the Net Pension Liability	46
Schedule of Town Contributions	47
Schedule of Funding Progress – Other Postemployment Benefits – Health Care	48
Schedule of Revenues – Budget and Actual – General Fund	49
Schedule of Expenditures – Budget and Actual – General Fund	50 – 52
Schedule of Revenues – Budget and Actual – Water and Sewer Fund	53
Schedule of Expenses – Budget and Actual – Water and Sewer Fund	54

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the Town Council
Town of Mount Airy, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Mount Airy, Maryland, as of and for the year ended June 30, 2016, 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. 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 Mount Airy, Maryland, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the schedule of the Town's proportionate share of the net pension liability, the schedule of Town contributions and the schedule of funding progress on pages 46 through 48 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 Mount Airy, Maryland's basic financial statements. The supplementary information, included in the schedules on pages 49 through 54, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Towson, Maryland
October 26, 2016

TOWN OF MOUNT AIRY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Our discussion and analysis of the financial performance of the Town of Mount Airy provides an overview of the Town's financial activities for the year ended June 30, 2016. Please read it in conjunction with the Town's financial statements.

Financial Highlights

- The assets of the Town of Mount Airy exceeded its liabilities at the close of Fiscal Year 2016 by \$60,087,586 (total net position). Of this amount, \$28,943,972 was for governmental activities and \$31,143,614 was for business-type activities. Further, the amount of net position that was unrestricted at year end was \$5,830,107 for governmental activities and \$6,801,378 for business-type activities. This information can be found in the Statement of Net Position, directly following Management's Discussion and Analysis.
- In reviewing the Statement of Activities, you will see that the net position of governmental activities decreased by \$141,935, and business-type activities decreased by \$241,806, resulting in a \$383,741 decrease in the Town's total net position from the previous fiscal year.
- The Balance Sheet is a report that gives a snapshot of the total financial picture of the Town. As of June 30, 2016, the total liabilities and fund balances for governmental funds were \$7,687,495. This is a decrease of \$675,478 from Fiscal Year 2015.
- At the close of Fiscal Year 2016, the Town's governmental fund reported an ending fund balance of \$7,046,991, an increase of \$170,620 from Fiscal Year 2015. This information may be reviewed on the Statement of Revenues, Expenditures and Changes in Fund Balance.
- The Town of Mount Airy is financially strong, with funds on deposit in investment accounts, certificates of deposit, checking accounts and savings accounts totaling more than \$14 million. You can find this information in the Notes to Financial Statements, Note B – Cash and Investments. Total deposits and investments decreased \$622,759 from Fiscal Year 2015. The Town has kept the tax rate steady since Fiscal Year 2011 and the homestead tax credit at a 0% cap since Fiscal Year 2000 with no changes in services to residents. Many other municipalities in our region increased taxes over the last several years. Our goal is, and will continue to be, to keep the Town financially strong without increasing taxes or reducing services.
- The Town received \$48,551 in public assistance from the Federal Emergency Management Agency (through the Maryland Emergency Management Agency) for expenses relating to the record-breaking snowfall our area received this past January. Additionally, \$30,008 was received from the Maryland State Highway Administration as final payment for the storm drain project that was constructed under the roads from Center Street to Prospect Park. The Town partnered with the Maryland State Highway Administration to improve the Center Street/Main Street intersection and street scape.
- Fiscal Year 2016 was a historic year for the Town, in that allocations were made in the budget to begin the process of forming the Mount Airy Police Department (MAPD). During the year, public meetings were held, amendments were made to the Town Charter and the Town Code to establish the MAPD, and the task of hiring a police chief was undertaken.

TOWN OF MOUNT AIRY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

- The Water and Sewer Fund ended Fiscal Year 2016 with a \$230,327 operating loss, as reported on the Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Fund.
- The Town's Water and Sewer Fund long-term debt balance was \$6,492,938 by year end, a net increase of \$425,058 from Fiscal Year 2015. This increase is due to the issuance of Local Government Infrastructure Bonds 2012 Series B-2 from the Maryland Department of Housing and Community Development, which is being used to fund water and sewer infrastructure projects such as the Main Street Water Line Replacement and Water Station #2 Rehabilitation. The full proceeds of the bond were drawn in Fiscal Year 2016 before completing the Water Station #2 Rehabilitation project. Funding to finish the project was provided in a budget amendment using Water and Sewer reserve funds.
- The Town received a Bay Restoration Fund Grant in the amount of \$36,000 for Enhanced Nutrient Removal (ENR) operating and maintenance expenses. This grant is provided to help pay for the chemicals needed to remove phosphorous and nitrogen emitted into effluent water which eventually makes its way into the Chesapeake Bay.
- The Town implemented several new Governmental Accounting Standards Board (GASB) standards in Fiscal Year 2016. A full explanation of the newly implemented GASB Standards can be found under Note A – Summary of Significant Accounting Policies.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities are government-wide statements that provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements report the Town's operation in more detail than the government-wide statements by providing information about the Town's most significant funds and individual parts.

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report changes in the Town's net position. You can think of the Town's *net position* (the difference between assets and liabilities) as one way to measure the Town's financial health or condition. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. One would need to consider other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's infrastructure, to assess the overall health of the Town.

TOWN OF MOUNT AIRY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities – Most of the Town's basic services are reported here, including the police, general administration, economic development, sanitation, streets and roads, parks and recreation, and planning and zoning. Taxes, franchise fees, fines, and state grants finance most of these activities.
- Business-type activities – The Town charges a fee to customers to help cover all or most of the cost of certain services it provides. The Town's water and sewer system is reported here.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. The Town's two kinds of funds, governmental and proprietary, use different accounting approaches.

- Governmental funds – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation after the fund financial statements. The Town's Governmental Fund is the General Fund.
- Proprietary funds – Services that the Town provides, for which it charges customers, are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash-flows. The Town's Proprietary Fund is the Water and Sewer Fund.

The Town as a Whole

Governmental Activities

This section will show a financial comparison of revenues and expenses and provide explanations for significant differences. Please see the section titled *The Town's Funds* for a condensed comparison.

TOWN OF MOUNT AIRY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

Some of the individual line item revenues reported for each function are:

General Government	Real and Personal Property Taxes, Income Taxes, Business Taxes, Admission and Amusement Taxes, Franchise Fees
Planning and Zoning	Inspection Fees, Filing Fees, Developer Fees
Public Safety	State Police Grants
Parks and Recreation	Project Open Space, Skate Park Fees, Park Fees
Streets and Roads	Highway User Revenues, Water and Sewer Permit Fees

All other governmental revenues are reported as miscellaneous. It is important to note that all taxes are classified as general revenue, even if restricted to a specific purpose.

Business-type Activities

Business-type activities decreased the Town's net position by \$241,806, as reported in the preceding chart, and charges for services decreased by \$40,655 from Fiscal Year 2015. In reviewing the Statement of Cash Flows, the net cash provided by operating activities was \$931,152.

TOWN OF MOUNT AIRY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Governmental-Wide Financial Information

The following is selected information as of June 30, 2016 and for the previous year ended, which is provided for comparison purposes.

	2016			2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 7,687,495	\$ 7,624,297	\$ 15,311,792	\$ 8,363,243	\$ 7,686,121	\$ 16,049,364
Capital assets	23,113,865	30,835,174	53,949,039	23,240,157	30,617,407	53,857,564
Total assets	<u>30,801,360</u>	<u>38,459,471</u>	<u>69,260,831</u>	<u>31,603,400</u>	<u>38,303,528</u>	<u>69,906,928</u>
Deferred outflows of resources	187,850	98,527	286,377	92,185	43,049	135,234
Current liabilities	640,504	246,719	887,223	1,486,872	359,325	1,846,197
Long-term liabilities	-	6,478,038	6,478,038	-	6,051,580	6,051,580
Net pension liability	816,634	390,309	1,206,943	604,086	282,321	886,407
Accrued liability for other postemployment benefits	521,673	253,361	775,034	452,596	220,731	676,327
Total liabilities	<u>1,978,811</u>	<u>7,368,427</u>	<u>9,347,238</u>	<u>2,543,554</u>	<u>6,913,957</u>	<u>9,457,511</u>
Deferred inflow of resources	66,427	45,957	112,384	66,121	47,202	113,323
Net position						
Invested in capital assets, net of related debt	23,113,865	24,342,236	47,456,101	23,240,157	24,549,527	47,789,684
Restricted	-	-	-	-	-	-
Unrestricted	5,830,107	6,801,378	12,631,485	5,845,753	6,835,891	12,681,644
Total net position	<u>\$ 28,943,972</u>	<u>\$ 31,143,614</u>	<u>\$ 60,087,586</u>	<u>\$ 29,085,910</u>	<u>\$ 31,385,418</u>	<u>\$ 60,471,328</u>
Program revenues						
Charges for services	\$ 65,842	\$ 2,564,223	\$ 2,630,065	\$ 62,020	\$ 2,604,878	\$ 2,666,898
Operating grants and contributions	506,462	36,000	542,462	385,112	36,000	421,112
Capital grants and contributions	367,330	69,695	437,025	385,249	76,092	461,341
Total program revenues	<u>939,634</u>	<u>2,669,918</u>	<u>3,609,552</u>	<u>832,381</u>	<u>2,716,970</u>	<u>3,549,351</u>
General revenues						
Income taxes	1,557,981	-	1,557,981	1,378,433	-	1,378,433
Real property taxes	1,739,400	-	1,739,400	1,716,702	-	1,716,702
Personal property tax	120,147	-	120,147	129,595	-	129,595
Penalties and interest	14,086	-	14,086	14,579	-	14,579
Admissions and amusement taxes	15,230	-	15,230	39,668	-	39,668
Licenses and permits	143,698	-	143,698	134,149	-	134,149
Intergovernmental	667,752	-	667,752	664,720	-	664,720
Unrestricted investment income	21,089	50,154	71,243	19,348	46,968	66,316
Total general revenues	<u>4,279,383</u>	<u>50,154</u>	<u>4,329,537</u>	<u>4,097,194</u>	<u>46,968</u>	<u>4,144,162</u>

TOWN OF MOUNT AIRY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Total revenue	5,219,017	2,720,072	7,939,089	4,929,575	2,763,938	7,693,513
Transfers	18,900	-18,900	-	-	-	-
Total revenues and transfers	5,237,917	2,701,172	7,939,089	4,929,575	2,763,938	7,693,513
Total expenses	5,379,852	2,942,978	8,322,830	4,961,376	2,807,301	7,768,677
Change in net position	-141,935	-241,806	-383,741	-31,801	-43,363	-75,164
Net position, beginning of year	29,085,907	31,385,420	60,471,327	29,117,708	31,428,783	60,546,491
Net position, end of year	\$ 28,943,972	\$ 31,143,614	\$ 60,087,586	\$ 29,085,907	\$ 31,385,420	\$ 60,471,327

The Town's Funds

The following schedule presents a summary of general revenues and expenditures for the governmental fund the fiscal year ended June 30, 2016, and percentage of increases and decreases in relation to the prior year.

	FYE 2016 Amount	FYE 2015 Amount	Increase (Decrease) From FYE 15	Percent Change
Revenues				
Taxes	\$ 3,789,037	\$ 3,576,570	\$ 212,467	6%
Licenses and permits	143,698	134,149	9,549	7%
Intergovernmental	862,029	1,072,488	(210,459)	-20%
Fees and fines	55,896	46,858	9,038	19%
Capital improvements	32,500	65,000	(32,500)	-50%
Interest and other investment income	21,089	19,348	1,741	9%
Miscellaneous	9,946	17,762	(7,816)	-44%
Total revenues	\$ 4,914,195	\$ 4,932,175	\$ (17,980)	0%
Expenditures				
General government	\$ 790,181	\$ 840,371	\$ (50,190)	-6%
Planning and zoning	278,846	241,463	37,383	15%
Public safety	1,086,215	982,729	103,486	11%
Streets and roads	658,665	502,828	155,837	31%
Waste collection	408,030	385,730	22,300	6%
Parks and recreation	228,551	197,640	30,911	16%
Economic development	21,210	24,450	(3,240)	-13%
Miscellaneous	347,267	362,373	(15,106)	-4%
Capital expenditures	943,510	1,356,936	(413,426)	-30%
Total expenditures	\$ 4,762,475	\$ 4,894,520	\$ (132,045)	-3%

TOWN OF MOUNT AIRY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Total revenues for Governmental Funds in Fiscal Year 2016 decreased slightly by \$17,980 from Fiscal Year 2015, as shown on the previous chart. Increases were seen in tax revenue, licenses and permits, fees and fines, and interest and other investment income. A 19% increase in fees and fines was mostly due to an increase in property maintenance charges for code violations. Decreases in revenues were experienced in intergovernmental, capital improvements and miscellaneous. Capital improvements decreased by 50%, the largest variance of all revenues from Fiscal Year 2016. This was the result of a slowdown in the number of new building permits for homes and commercial properties issued last year. Intergovernmental revenue was 20% less than the previous fiscal year, mainly because of money the Town received in Fiscal Year 2015 from the Maryland State Highway Administration for a storm drain project to prevent flooding on Main Street from the Center Street intersection to Prospect Road. Main Street is a state-owned road and the State Highway Administration partnered with the Town on this project. \$30,008 was received in Fiscal Year 2016, compared to \$320,249 in Fiscal Year 2015. Miscellaneous revenues were 44% less than the previous fiscal year; it is normal for this revenue to fluctuate from year to year.

Total expenditures for Governmental Funds decreased slightly by 3% in Fiscal Year 2016. Five categories increased while four categories decreased. Planning and zoning expenses were 15% more than the previous fiscal year. This can be attributed to a study that is being completed for the Route 27 corridor that will help with land use planning. Public safety increased 11% and can be attributed to increases in the Resident Trooper Program. The Town paid \$94,233 more for the Trooper Program in Fiscal Year 2016 than in Fiscal Year 2015. Streets and roads expenses were 31% higher than Fiscal Year 2015. This was due to the large expense for clearing snow after the record snowfall received in January from Snowstorm Jonas. More than \$160,000 was spent to clear the roads and sidewalks of snow in a timely manner for the citizens and businesses of the Town. Waste collection increased by 6% with the sanitation contract and landfill fees coming in slightly higher than the year before. Additionally, new recycling bins and a shed to store the bins were purchased. Parks and recreation increased by 16% mostly due to the park entrance sign installation that was overseen by the Beautification Commission. General government expenses were down 6% due to lower legal fees. Economic development expenses showed a decrease of 13%, or \$3,240. Slightly less was spent on economic development and downtown revitalization last year. Miscellaneous expenditures were 4% less than the previous fiscal year, with health insurance and retirement being the major factors. Capital expenditures came in 30% less than Fiscal Year 2015. This category typically varies widely from one fiscal year to the next, depending upon the projects that are planned, and this year was \$413,426 less than the previous year.

General Fund Budgetary Highlights

Revenues received were \$83,575 less than budgeted, and expenses were \$1,198,196 less than budgeted, as shown in the chart below. The largest variance in revenue was in the intergovernmental category, due to a park land grant from Frederick County for \$321,000. The grant was not received because land has not been acquired yet. The Town hopes to use this grant money in Fiscal Year 2017. The largest variance in expenditures was in capital expenditures, and can be attributed to several projects that did not move forward as planned, such as the Flat Iron Building, sidewalk construction on East Ridgeville Road, Project Open Space projects, and land purchases. Capital projects are often delayed due to many reasons, such as determining or changing the scope of the project, engineering and design, multi-year construction, scheduling, inclement weather, and change orders.

TOWN OF MOUNT AIRY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

	Governmental Funds			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	\$ 3,651,975	\$ 3,651,975	\$ 3,789,037	\$ 137,062
Licenses and permits	143,800	143,800	143,698	(102)
Intergovernmental	1,062,118	1,062,118	862,029	(200,089)
Fees and fines	56,227	56,227	55,896	(331)
Capital improvement assessments	45,500	45,500	32,500	(13,000)
Interest and other investment income	21,000	21,000	21,089	89
Miscellaneous	17,150	17,150	9,946	(7,204)
Total revenues	<u>\$ 4,997,770</u>	<u>\$ 4,997,770</u>	<u>\$ 4,914,195</u>	<u>\$ (83,575)</u>

	Governmental Funds			
	Original Budget	Final Budget	Actual	Variance
Expenditures				
General government	\$ 797,139	\$ 797,139	\$ 790,181	\$ 6,958
Planning and zoning	298,205	298,205	278,846	19,359
Public safety	1,129,198	1,129,198	1,086,215	42,983
Streets and roads	495,200	650,200	658,665	(8,465)
Waste collection	421,462	421,462	408,030	13,432
Parks and recreation	249,160	249,160	228,551	20,609
Economic development	28,323	28,323	21,210	7,113
Miscellaneous	359,134	359,134	347,267	11,867
Capital expenditures	1,727,200	2,027,850	943,510	1,084,340
Total expenditures	<u>\$ 5,505,021</u>	<u>\$ 5,960,671</u>	<u>\$ 4,762,475</u>	<u>\$ 1,198,196</u>

Capital Asset and Debt Administration

Capital Assets

Many capital improvement projects were completed throughout Fiscal Year 2016 and added to the assets of the Town. The streets and roads department continued with the Annual Road Repaving Program, the Annual Sidewalk Replacement Program and the Annual Storm Drain Replacement Program. The Center Street to Prospect Park Storm Drain Project that began in Fiscal Year 2012 was finalized in Fiscal Year 2016 at a total cost of \$960,568, and a Storm Water Management Pond was constructed at the Department of Public Works facility. Parks and recreation projects included paving at East/West Park, and play equipment at Wildwood Park. A new compact utility tractor was purchased for the parks department. General government projects included adding office space to the basement at Town Hall, and replacing the heating and air conditioning unit at Town Hall. The sanitation department installed a shed to store recycling bins in Fiscal Year 2016.

The Water and Sewer Department added a Rapidstill II & Rocker Switch at the Waste Water Treatment Plant, and a variable frequency drive at Sewer Station #5. Two multi-year projects were finalized in Fiscal Year 2016: the Inflow and Infiltration Project at a total cost of \$195,656, and the Water Line Replacement Project at a total cost of \$4,538,115.

TOWN OF MOUNT AIRY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

The Town added several deeds and easements to the land inventory, including a small stretch of land with sidewalks at 1 E. Ridgeville Blvd., from Ham-Westwood Management, LLC; an easement from Charles E. and Leonard S. Kimmel, Jr. for water line access to the Sykora property; an easement from William E. Wagner & Sons, Inc. to access Water Tank #2; and an easement from Mt. Airy Apartments, LLC for sewer lines.

Debt

At year end, the Town's Water and Sewer Department had \$6,492,938 in outstanding debt, compared to \$6,067,880 the previous year. This amount consists of notes and bonds issued for Water and Sewer Improvements. They are the MDE WWTP Loan, the Infrastructure Bonds of 2012 Refunding, and the Infrastructure Bonds of 2012, of which the Town finished drawing all of the available \$5,339,431 in Fiscal Year 2016.

Economic Factors and Next Year's Budgets and Rates

The economy in Mount Airy is growing slowly. The real property tax rate has remained steady since Fiscal Year 2011, and Mount Airy continues to have the lowest tax rate of all municipalities in the State of Maryland with a comparable population. The Town experienced tremendous cuts in Highway User Revenue and State Police Grants from the State of Maryland in Fiscal Year 2010, after which many other municipal governments had no choice but to increase taxes to make up the difference. Careful planning for the future financial health of the Town will continue to be the focus of the Mayor and Town Council.

The Town has been mandated by the State of Maryland to make improvements to storm water management. These improvements are estimated to cost approximately \$1,188,000. A decree by the Environmental Protection Agency (EPA) identified mandatory reductions in nitrogen, phosphorus, and sediment that damage the Chesapeake Bay and are primarily found in drainage run-off and fertilizers. Maryland, along with four other states and the District of Columbia, must comply with these new environmental standards which involve projects related to storm water management. The State of Maryland enacted a "storm water management fee" in 2012, known as the Rain Tax, on ten of its twenty-four local jurisdictions within the state, including Carroll County and Frederick County. This mandated "rain tax" has been repealed, but the project requirement has not. It is up to each county to determine how to fund the mandated improvements to storm water management. Frederick County imposed a one cent tax to its citizens and will fund projects through the general revenue stream. Frederick County is offering no assistance to municipalities within the county. Carroll County did not raise taxes and has set aside money for these projects, by diverting funds from other projects, and has set up a fund to help municipalities with 80% of the cost. Carroll County is also managing the Town project on the Frederick County side of town at no cost to the Town. These improvements will cost the Town of Mount Airy at least \$850,000 on the Frederick County side of town, and \$338,000 on the Carroll County side of town.

TOWN OF MOUNT AIRY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

The Town is fortunate to have significant reserve funds that have grown over the years and have funded many capital projects. One of the main sources of income to these accounts in the past has been permit fees. As the Town builds out existing developments in the approved pipeline of projects, deposits from that source of income will be reduced. There is no immediate danger of this revenue source ending for the reserve accounts; it could take up to ten years to build out the current pipeline, and new projects are coming along that show much promise, such as the office park slated for the Harrison/Leishear property. Future residential developments include Brittany Manor and the final section of Wildwood Park senior housing. Careful planning will be the key to determine how these reserves will be funded and used in the future, and how to fund the ongoing capital projects for which these funds have historically been used. Other considerations will include the safe level of funds to keep for emergencies, or "rainy day" funds, other potential sources of revenue, if any, and funding future capital projects.

The Water and Sewer Fund has remained self-sufficient for the last five fiscal years, following a decade of significant contributions from the General Fund to help with operating and capital expenses. Careful attention will be paid to ensure that the Water and Sewer Fund stays self-sufficient and that user fees provide all money necessary for the operating and capital budgets in future years. Large capital projects, such as the Main Street Water Main Replacement Project and Water Station #2 Rehabilitation, have been financed so that adequate balances remain in the Town's reserve accounts.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mayor Patrick Rockinberg at 110 South Main Street, Mount Airy, Maryland 21771-0050.

TOWN OF MOUNT AIRY, MARYLAND
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,699,295	\$ 3,400,115	\$ 6,099,410
Investments	4,839,872	3,540,418	8,380,290
Taxes receivable	43,489	-	43,489
Accounts receivable	64,064	528	64,592
Unbilled service charges	-	643,815	643,815
Interest and dividends receivable	4,792	48,365	53,157
Internal balances	8,944	(8,944)	-
Intergovernmental receivables	27,039	-	27,039
Capital assets:			
Land and construction in progress	2,144,292	2,960,359	5,104,651
Other capital assets, net of accumulated depreciation	20,969,573	27,874,815	48,844,388
TOTAL ASSETS	30,801,360	38,459,471	69,260,831
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	187,850	98,527	286,377
LIABILITIES			
Accounts payable and accrued expenses	342,350	192,089	534,439
Refundable deposits	298,154	9,000	307,154
Note and bond interest payable	-	45,630	45,630
Notes payable			
Due within one year	-	220,007	220,007
Due in more than one year	-	461,631	461,631
Bonds payable			
Due within one year	-	306,500	306,500
Due in more than one year	-	5,489,900	5,489,900
Net pension liability	816,634	390,309	1,206,943
Accrued liability for other postemployment benefits	521,673	253,361	775,034
TOTAL LIABILITIES	1,978,811	7,368,427	9,347,238
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from refunding of debt	-	14,900	14,900
Deferred inflows related to pensions	66,427	31,057	97,484
TOTAL DEFERRED INFLOWS OF RESOURCES	66,427	45,957	112,384
NET POSITION			
Net investment in capital assets	23,113,865	24,342,236	47,456,101
Unrestricted	5,830,107	6,801,378	12,631,485
TOTAL NET POSITION	\$ 28,943,972	\$ 31,143,614	\$ 60,087,586

See accompanying notes to financial statements.

TOWN OF MOUNT AIRY, MARYLAND
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT					
Governmental Activities					
General government	\$ 1,115,010	\$ 35,749	\$ -	\$ 337,322	\$ (741,939)
Planning and zoning	395,964	20,275	-	-	(375,689)
Public safety	1,086,215	1,025	90,813	-	(994,377)
Waste collection	403,817	200	-	-	(403,617)
Parks and recreation	377,316	8,593	24,905	-	(343,818)
Streets and roads	1,980,320	-	390,744	30,008	(1,559,568)
Economic development	21,210	-	-	-	(21,210)
Total Governmental Activities	5,379,852	65,842	506,462	367,330	(4,440,218)
Business-type Activities					
Water and sewer	2,942,978	2,564,223	36,000	69,695	(273,060)
Total Business-type Activities	2,942,978	2,564,223	36,000	69,695	(273,060)
TOTAL PRIMARY GOVERNMENT	\$ 8,322,830	\$ 2,630,065	\$ 542,462	\$ 437,025	\$ (4,713,278)

See accompanying notes to financial statements.

TOWN OF MOUNT AIRY, MARYLAND
STATEMENT OF ACTIVITIES (CONTINUED)
For the Year Ended June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
CHANGE IN NET POSITION			
Net (expense) revenue	\$ (4,440,218)	\$ (273,060)	\$ (4,713,278)
General revenues:			
Taxes:			
Real property taxes	1,739,400	-	1,739,400
Personal property tax:			
Railroad and public utility	22,888	-	22,888
Ordinary business corporations	97,259	-	97,259
Penalties and interest	14,086	-	14,086
Income taxes	1,557,981	-	1,557,981
Admissions and amusement taxes	15,230	-	15,230
Licenses and permits:			
Alcoholic beverage	5,363	-	5,363
Traders' licenses	26,650	-	26,650
Cable and video licenses	111,685	-	111,685
Intergovernmental:			
County grants	667,666	-	667,666
Financial corporation	86	-	86
Unrestricted investment income	21,089	50,154	71,243
Transfers	18,900	(18,900)	-
Total general revenues and transfers	4,298,283	31,254	4,329,537
CHANGE IN NET POSITION	(141,935)	(241,806)	(383,741)
NET POSITION - BEGINNING	29,085,907	31,385,420	60,471,327
NET POSITION - ENDING	<u>\$ 28,943,972</u>	<u>\$ 31,143,614</u>	<u>\$ 60,087,586</u>

TOWN OF MOUNT AIRY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	<u>Total Governmental Funds</u>
ASSETS	
Cash and cash equivalents	\$ 2,699,295
Investments	4,839,872
Taxes receivable	43,489
Accounts receivable	64,064
Interest and dividends receivable	4,792
Due from other funds	8,944
Intergovernmental receivables	<u>27,039</u>
TOTAL ASSETS	<u><u>\$ 7,687,495</u></u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable and accrued expenses	\$ 342,350
Refundable deposits	<u>298,154</u>
TOTAL LIABILITIES	<u>640,504</u>
 FUND BALANCE	
Committed	198,773
Assigned	5,720,021
Unassigned	<u>1,128,197</u>
TOTAL FUND BALANCE	<u>7,046,991</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 7,687,495</u></u>

See accompanying notes to financial statements.

TOWN OF MOUNT AIRY, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 7,046,991
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>	
Capital assets of \$42,836,793 net of accumulated depreciation of (\$19,722,928) are not financial resources and, therefore, are not reported in the funds. See Note E for additional detail.	23,113,865
Liabilities for pensions are not reported in the funds. See Note H for additional detail.	(816,634)
Liabilities for other postemployment benefits are not reported in the funds. See Note I for additional detail.	(521,673)
Deferred outflows and inflows of resources related to pensions are not reported in the funds. See Note H for additional details.	<u>121,423</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 28,943,972</u></u>

TOWN OF MOUNT AIRY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	<u>Total Governmental Funds</u>
REVENUES	
Taxes	\$ 3,789,037
Licenses and permits	143,698
Intergovernmental	862,029
Fees and fines	55,896
Capital improvement assessments	32,500
Interest and other investment income	21,089
Miscellaneous	<u>9,946</u>
TOTAL REVENUES	<u>4,914,195</u>
EXPENDITURES	
General government	790,181
Planning and zoning	278,846
Public safety	1,086,215
Streets and roads	658,665
Waste collection	408,030
Parks and recreation	228,551
Economic development	21,210
Miscellaneous	347,267
Capital expenditures	<u>943,510</u>
TOTAL EXPENDITURES	<u>4,762,475</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	151,720
OTHER FINANCING SOURCES (USES)	<u>18,900</u>
NET CHANGE IN FUND BALANCE	170,620
FUND BALANCE - BEGINNING	<u>6,876,371</u>
FUND BALANCE - ENDING	<u><u>\$ 7,046,991</u></u>

See accompanying notes to financial statements.

TOWN OF MOUNT AIRY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 170,620
 Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,275,158 exceeded depreciation of (\$1,398,567) in the current period.	(123,409)
In the statement of activities, the gain on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets disposed of (\$81,679), net of related accumulated depreciation of \$78,795.	(2,884)
The effect of the change in the net pension liability and deferred outflows and inflows related to pensions.	(117,185)
The effect of other postemployment benefits.	<u>(69,077)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (141,935)</u></u>

TOWN OF MOUNT AIRY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES				
Taxes	\$ 3,651,975	\$ 3,651,975	\$ 3,789,037	\$ 137,062
Licenses and permits	143,800	143,800	143,698	(102)
Intergovernmental	1,062,118	1,062,118	862,029	(200,089)
Fees and fines	56,227	56,227	55,896	(331)
Capital improvement assessments	45,500	45,500	32,500	(13,000)
Interest and other investment income	21,000	21,000	21,089	89
Miscellaneous	17,150	17,150	9,946	(7,204)
TOTAL REVENUES	4,997,770	4,997,770	4,914,195	(83,575)
EXPENDITURES				
General government	797,139	797,139	790,181	6,958
Planning and zoning	298,205	298,205	278,846	19,359
Public safety	1,129,198	1,129,198	1,086,215	42,983
Streets and roads	495,200	650,200	658,665	(8,465)
Waste collection	421,462	421,462	408,030	13,432
Parks and recreation	249,160	249,160	228,551	20,609
Economic development	28,323	28,323	21,210	7,113
Miscellaneous	359,134	359,134	347,267	11,867
Capital expenditures	1,727,200	2,027,850	943,510	1,084,340
TOTAL EXPENDITURES	5,505,021	5,960,671	4,762,475	1,198,196
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(507,251)	(962,901)	151,720	1,114,621
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	18,900	18,900
NET CHANGE IN FUND BALANCE	\$ (507,251)	\$ (962,901)	170,620	\$ 1,133,521
FUND BALANCE - BEGINNING			6,876,371	
FUND BALANCE - ENDING			\$ 7,046,991	

See accompanying notes to financial statements.

TOWN OF MOUNT AIRY, MARYLAND
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
June 30, 2016

	Enterprise Fund
ASSETS	
Cash and cash equivalents	\$ 3,400,115
Investments	3,540,418
Accounts receivable	528
Unbilled service charges	643,815
Interest and dividends receivable	48,365
Capital assets:	
Land and construction in progress	2,960,359
Other capital assets, net of accumulated depreciation	27,874,815
TOTAL ASSETS	38,468,415
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	98,527
LIABILITIES	
Accounts payable and accrued expenses	192,089
Refundable deposits	9,000
Due to other funds	8,944
Note and bond interest payable	45,630
Notes payable	
Due within one year	220,007
Due in more than one year	461,631
Bonds payable	
Due within one year	306,500
Due in more than one year	5,489,900
Net pension liability	390,309
Accrued liability for other postemployment benefits	253,361
TOTAL LIABILITIES	7,377,371
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from refunding of debt	14,900
Deferred inflows related to pensions	31,057
TOTAL DEFERRED INFLOWS OF RESOURCES	45,957
NET POSITION	
Net investment in capital assets	24,342,236
Unrestricted	6,801,378
TOTAL NET POSITION	\$ 31,143,614

See accompanying notes to financial statements.

TOWN OF MOUNT AIRY, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2016

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Sewer system	\$ 1,053,656
Water service	1,207,335
Well system	7,500
Other revenues	<u>367,595</u>
TOTAL OPERATING REVENUES	<u>2,636,086</u>
OPERATING EXPENSES	
Sewer system	769,799
Water service	497,804
Administrative and other expenses	407,220
Depreciation	<u>1,191,590</u>
TOTAL OPERATING EXPENSES	<u>2,866,413</u>
OPERATING INCOME (LOSS)	<u>(230,327)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and other investment income	50,154
Bond interest expense	(76,123)
Loss on disposal of capital assets	<u>(442)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(26,411)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(256,738)
Capital contributions	33,832
Transfers to other funds	<u>(18,900)</u>
CHANGE IN NET POSITION	(241,806)
NET POSITION - BEGINNING	<u>31,385,420</u>
NET POSITION - ENDING	<u><u>\$ 31,143,614</u></u>

See accompanying notes to financial statements.

TOWN OF MOUNT AIRY, MARYLAND
STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
PROPRIETARY FUND
For the Year Ended June 30, 2016

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,446,356
Cash payments to suppliers for goods and services	(1,207,556)
Cash payments to employees for services	(482,121)
Other operating revenues	<u>174,473</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>931,152</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,251,021)
Proceeds of bonds issued	940,161
Principal paid on notes and bonds	(515,103)
Interest paid on notes and bonds	<u>(204,579)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,030,542)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>(18,900)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(64,706)
Interest and other investment income	<u>63,394</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,312)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(119,602)
CASH AND CASH EQUIVALENTS AT JULY 1, 2015	<u>3,519,717</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2016	<u><u>\$ 3,400,115</u></u>

See accompanying notes to financial statements.

TOWN OF MOUNT AIRY, MARYLAND
STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
PROPRIETARY FUND (CONTINUED)
For the Year Ended June 30, 2016

	Enterprise Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (230,327)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:	
Depreciation	1,191,590
(Increase) decrease in accounts receivable	(15,256)
Increase (decrease) in accounts payable	(100,151)
Increase (decrease) in pension expense	52,666
Increase (decrease) in other postemployment benefits	32,630
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 931,152
 NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital assets contributed	\$ 33,832

See accompanying notes to financial statements.

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Mount Airy, Maryland was incorporated in 1894. The Town operates under a Council-Mayor form of government, and provides the following services: planning and zoning, public safety, streets and roads, waste collection, parks and recreation, and economic development. The Town also provides water and sewer services to its residents.

As required by accounting principles generally accepted in the United States of America for governmental entities (GAAP), the accompanying financial statements present the Town's primary government.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: 1.) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; 2.) operating grants and contributions which finance annual operating activities including restricted investment income; and 3.) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States for governmental entities (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds.) Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for goods and services, and benefit charges. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets.

Fund Types and Major Funds

Governmental Funds

The Town reports the following governmental funds:

General Fund - The General Fund is the general operating fund of the Town. All financial resources are accounted for in this fund except those required to be accounted for in another fund.

Proprietary Funds

The Town reports the following proprietary funds:

Enterprise Fund - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis are recovered primarily through user charges. Utility services are accounted for in the Water and Sewer Fund.

Assets, Liabilities and Net Position or Fund Balance

Cash and Investments

Cash and investments are separately held and reflected in their respective funds as "cash and cash equivalents" and "investments."

The Town reporting entity considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Fund Balance (continued)

Cash and Investments (continued)

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value.

Capital Assets and Depreciation

The Town's property, plant, equipment and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their fund financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with a cost of \$3,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	50 years
Furniture, machinery and equipment	5 to 15 years
Improvements	10 to 20 years
Roads, sidewalks, and storm drains	20 to 40 years
Water distribution and sewer systems	40 years

Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

Long-Term Debt and Debt Issuance Costs

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities.

In accordance with GASB 65, for current and advance refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Fund Balance (continued)

Long-Term Debt and Debt Issuance Costs (continued)

In accordance with GASB 65, debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

Compensated Absences

The Town's employees are entitled to certain compensated absences based on their length of employment. Compensated absences are accrued as earned, however, the amount of accumulated unpaid leave accrued at year end was not material.

Net Position

Net position represents assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, and is displayed in three components – net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position represents the net position of the Town which is not restricted for any project or other purpose. However, these funds may be designated for specific projects or purposes in the fund financial statements.

The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Fund Balance (continued)

Fund Balance (continued)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Town ordinances).

Enabling legislation authorizes the Town to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Town can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for specific purposes imposed by formal action (ordinance or resolution) of the Town Council. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Town Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Town Council or the Mayor.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System (the “System”) and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Budget and Budgetary Accounting

The Mayor, on or before June 1st each year, shall submit a proposed budget to the Council. The budget shall provide a complete financial plan for the budget year and shall contain estimates of anticipated revenues and proposed expenditures for the coming year. The total of the anticipated revenues shall equal the total of the proposed expenditures.

Before adopting the budget, the Council shall hold a public hearing after notice in some newspaper or newspapers having general circulation within the Town. The Council may insert new items or may increase or decrease the items of the budget. Where the Council shall increase the total proposed expenditures, it shall also increase the total anticipated revenue to at least equal such total proposed expenditures. The budget shall be prepared and adopted in the form of an ordinance. A favorable vote of at least a majority of the total membership of the Council shall be necessary for adoption.

Expenditures may not legally exceed budgeted appropriations for that general classification of expenditure.

All appropriations not expended or lawfully encumbered lapse at the end of the budget year, and are available to fund appropriations in the subsequent year.

The making of contracts, or the spending of monies for capital improvements financed in whole or in part by the issuance of bonds, or the making of contracts of leases or for services for a period exceeding the budget year in which the contract is made, is expressly authorized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States for governmental entities requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management’s Review

Management has evaluated subsequent events through October 26, 2016 the date on which the financial statements were available to be issued.

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Governmental Accounting Standards Board Standards

GASB Statement No. 72, *Fair Value Measurement and Application*, is effective for the Town for the fiscal year ending June 30, 2016. The objective of this Statement is to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

GASB 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*, is effective for the Town for the fiscal year ending June 30, 2016. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for the purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for the fiscal year ending June 30, 2017. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements of those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for the Town for the fiscal year ending June 30, 2017. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is effective for the Town for the fiscal year ending June 30, 2016. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles.

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE B – CASH AND INVESTMENTS

The Town of Mount Airy, Maryland is governed by the deposit and investment limitations of state law. Deposits and investments held at June 30, 2016, and reported at fair value, are as follows:

Type	Moody's Rating	Maturities	Carrying Value
Deposits			
Deposits			\$ 6,098,960
Cash on hand			450
Certificates of deposit		December 12, 2016 to June 29, 2021	6,040,165
			<u>12,139,575</u>
Investments			
U. S. Treasury Notes	Aaa	December 15, 2016	2,252,813
Money market funds	Aaa	Weighted Avg. Maturity 44 days	87,312
			<u>2,340,125</u>
			<u>\$14,479,700</u>
Reconciliation to Statement of Net Position			
Cash and equivalents			\$ 6,099,410
Investments			8,380,290
Total deposits and investments			<u><u>\$14,479,700</u></u>

Fair Value Measurement

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Town uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Town measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The fair value of all investments has been measured on a recurring basis using Level 1 inputs, which are based on unadjusted quoted market prices within active markets. There have been no changes in valuation techniques and related inputs.

Custodial Credit Risk

At June 30, 2016, the carrying amount of the Town's cash deposits was \$6,099,410 and the bank balance was \$6,197,801. Of the bank balances, \$250,000 was covered by federal depository insurance, and the balance of \$5,947,801 was covered by collateral held by the pledging bank's trust department to secure the Town's deposits with those institutions. Certificates of deposit are held by the Town. Of the certificates of deposit, \$250,000 was covered by federal depository insurance and the balance of \$5,843,322 was covered by collateral held by the pledging bank's trust department to secure the Town's deposits. All investments, evidenced by individual securities, are registered in the Town's name.

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE B – CASH AND INVESTMENTS (CONTINUED)

Investment Interest Rate Risk

The investment policy of the Town specifies that the majority of investments be on a short-term basis, however, a portion of the portfolio can contain investments with longer maturities, up to two years. Maturities of investments held at June 30, 2016 are provided in the schedule above. Certificates of deposit with maturities in excess of two years allow for a one-time penalty-free withdrawal per account before maturity.

Investment Credit Risk

The Town's investment policy authorizes investments in:

1. insured, interest-bearing accounts in financial institutions;
2. any obligation for which the United States has pledged its faith and credit for the payment of the principal and interest;
3. any obligations that a federal agency issues in accordance with an act of Congress;
4. a repurchase agreement that any of these obligations secures;
5. money market mutual funds containing securities of these organizations; or
6. the Maryland Local Government Investment Pool.

Concentration of Investment Credit Risk

The Town's investment policy authorizes up to 100% of its portfolio to be invested in U. S. Treasury obligations, U. S. Government Agency and U. S. Government-sponsored instrumentalities, money market mutual funds containing securities of these organizations and collateralized certificates of deposit. At June 30, 2016, \$87,312 was invested in the money market fund. All other investments were in U. S. Treasury Notes securities held in the Town's name.

NOTE C – PROPERTY TAXES

Property taxes attach an enforceable lien on property as of July 1st. Taxes are levied on July 1st and are payable without interest by October 1st. Beginning October 1st, interest at $\frac{2}{3}$ of 1% is charged for each month, or fraction thereof, that taxes remain unpaid. A list of all property on which the Town taxes have not been paid as of the first day of the following January shall be provided to the official of Carroll County or Frederick County responsible for the sale of tax delinquent property as provided by Maryland law.

Real and personal property taxes are levied at rates enacted by the Mayor and Town Council in the annual budget on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The tax rates for the fiscal year ended June 30, 2016 were 16.95¢ per \$100 of assessed value for real property and 42.0¢ per \$100 of assessed value for business personal property.

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE D – RECEIVABLES

Receivables at June 30, 2016 of the Town’s governmental and enterprise funds are as follows:

	Governmental Funds	Enterprise Funds	Total
Taxes receivable	\$43,489	\$ --	\$43,489
Accounts receivable	64,064	528	64,592
Unbilled service charges	--	643,815	643,815
Intergovernmental receivables:			
Highway taxes	22,278	--	22,278
Admission and amusement taxes	3,048	--	3,048
Business licenses	1,713	--	1,713
Total	<u>\$134,592</u>	<u>\$644,343</u>	<u>\$778,935</u>

NOTE E – CAPITAL ASSETS

Changes in Capital Assets

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

Governmental Activities Capital Assets:

	Balance at July 1, 2015	Additions	Net Transfers and Retirements	Balance at June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 1,056,637	\$ 325,858	\$ --	\$ 1,382,495
Construction in progress	1,362,231	474,947	(1,075,381)	761,797
Total capital assets, not being depreciated	<u>2,418,868</u>	<u>800,805</u>	<u>(1,075,381)</u>	<u>2,144,292</u>
Capital assets, being depreciated:				
Buildings and improvements	4,066,809	31,858	--	4,098,667
Equipment	1,291,345	--	(62,194)	1,229,151
Streets, roads and storm drains	32,326,714	1,365,373	--	33,692,087
Park equipment	1,539,577	152,503	(19,484)	1,672,596
Total capital assets, being depreciated	<u>39,224,445</u>	<u>1,549,734</u>	<u>(81,678)</u>	<u>40,692,501</u>
Less accumulated depreciation for:				
Buildings and improvements	737,802	82,290	--	820,092
Equipment	577,808	85,326	(62,194)	600,940
Streets, roads and storm drains	16,369,326	1,167,363	--	17,536,689
Park equipment	718,220	63,588	(16,601)	765,207
Total accumulated depreciation	<u>18,403,156</u>	<u>1,398,567</u>	<u>(78,795)</u>	<u>19,722,928</u>
Total capital assets, being depreciated, net	<u>20,821,289</u>	<u>151,167</u>	<u>(2,883)</u>	<u>20,969,573</u>
Governmental activities capital assets, net	<u>\$23,240,157</u>	<u>\$ 951,972</u>	<u>\$ (1,078,264)</u>	<u>\$ 23,113,865</u>

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE E – CAPITAL ASSETS (CONTINUED)

Changes in Capital Assets (continued)

Business-type Activities Capital Assets:

	Balance at July 1, 2015	Additions	Net Transfers and Retirements	Balance at June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 1,404,938	\$ 33,832	\$ --	\$ 1,438,770
Construction in progress	4,897,730	1,375,966	(4,752,107)	1,521,589
Total capital assets, not being depreciated	<u>6,302,668</u>	<u>1,409,798</u>	<u>(4,752,107)</u>	<u>2,960,359</u>
Capital assets, being depreciated:				
Machinery and equipment	1,080,507	--	(526)	1,079,981
Sewer system	21,265,136	--	204,056	21,469,192
Water distribution system	17,624,575	--	4,426,458	22,051,033
Total capital assets, being depreciated	<u>39,970,218</u>	<u>--</u>	<u>4,629,988</u>	<u>44,600,206</u>
Less accumulated depreciation for:				
Machinery and equipment	692,680	66,521	(9,041)	750,160
Sewer system	8,099,896	552,515	(1,420)	8,650,991
Water distribution system	6,862,902	572,554	(111,216)	7,434,240
Total accumulated depreciation	<u>15,655,478</u>	<u>1,191,590</u>	<u>(121,677)</u>	<u>16,725,391</u>
Total capital assets, being depreciated, net	<u>24,314,740</u>	<u>(1,191,590)</u>	<u>4,751,665</u>	<u>27,874,815</u>
Business-type activities capital assets, net	<u>\$30,617,408</u>	<u>\$ 218,208</u>	<u>\$ (442)</u>	<u>\$30,835,174</u>

Depreciation Expense

Depreciation expense was charged to functions/programs of the Town for the year ended June 30, 2016 as follows:

Governmental Activities:

General government	\$ 87,477
Waste collection	377
Parks and recreation	63,588
Streets and roads	<u>1,247,125</u>
Total	<u>\$1,398,567</u>

Business-type Activities:

Water and sewer	<u>\$1,191,590</u>
-----------------	--------------------

Capital Commitments

At June 30, 2016, the outstanding commitments relating to projects of the Town amount to approximately \$336,550 for governmental activities for building projects and park projects, of which \$85,611 has been spent to date; and \$1,541,000 for business-type activities, for water station improvements and enhanced nutrient removal projects, of which \$1,480,456 has been spent to date.

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE F – LONG-TERM DEBT

The Town’s long-term debt at June 30, 2016 consisted of the following:

Business-type Activities:

Description	Due	Rate	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016	Due Within One Year
Infrastructure Bonds 2012							
Refunding	2032	0.61 - 3.42%	\$1,452,800	\$ --	\$71,500	\$1,381,300	\$ 73,500
Infrastructure Bonds 2012	2032	0.61 - 3.42%	3,720,339	940,161	230,500	4,430,000	233,000
Note payable							
Maryland Dept of							
Environment Loan	2019	3.24%	894,741	--	213,103	681,638	220,007
Total long-term debt			<u>\$6,067,880</u>	<u>\$940,161</u>	<u>\$515,103</u>	<u>\$6,492,938</u>	<u>\$526,507</u>

The annual requirements to amortize all debt outstanding as of June 30, 2016 are as follows:

Year ending June 30:	Principal	Interest	Total
2017	\$ 526,507	\$ 194,094	\$ 720,601
2018	537,636	182,798	720,434
2019	549,995	170,750	720,745
2020	318,400	146,118	464,518
2021	328,300	139,878	468,178
2022 – 2026	1,752,100	575,874	2,327,974
2027 – 2031	2,032,500	305,411	2,337,911
2032	447,500	18,555	466,055
Total	<u>\$6,492,938</u>	<u>\$1,733,478</u>	<u>\$8,226,416</u>

On December 1, 2012, the Town signed an agreement with the Community Development Administration (the “Administration”), a unit of the Division of Development Finance of the Maryland Department of Housing and Community Development, for the Administration to issue and sell its Local Government Infrastructure Bonds 2012 Series B-1 and Series B-2 to finance and refinance obligations of the Town. The Town’s new obligations are one bond in the principal amount of \$1,664,165 and a second bond in the principal amount of \$5,339,431.

The proceeds of the first bond were used to refund the Town’s Local Government Infrastructure Bond 2002 Series A. The proceeds of the second bond are being used to fund water and sewer infrastructure projects. The Town draws funds periodically to pay costs during construction. At June 30, 2016, the Town had requisitioned all of the available funds of \$5,339,431.

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance construction of assets. Interest costs incurred for the year June 30, 2016 ended were \$201,068, of which \$124,945 was capitalized.

The full faith and credit and taxing powers of the Town are pledged in payment of any deficiency in the funding of the principal and interest payments of all general obligation bonds.

Other long-term liabilities, including OPEB liabilities in governmental and business-type activities, are liquidated from general revenues in the respective General and Water and Sewer Funds, as applicable.

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE G – INTERFUND BALANCES AND ACTIVITY

Due to/from Other Funds

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for goods or services and other miscellaneous receivables/payables between 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 balance due to/from other funds at June 30, 2016 was \$8,944.

NOTE H – PENSION PLAN

General Information about the Pension Plan

Plan Description

Employees of the Town are provided with pensions through the Employees' Retirement and Pension Systems, part of the Maryland State Retirement and Pension System ("the System"), a cost-sharing multiple-employer defined benefit pension plan administered by the State Retirement Agency ("the Agency"). Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that includes financial statements and supplementary information. The financial report may be obtained by writing to State Retirement Agency, 120 East Baltimore Street, Baltimore, Maryland 21202 or on their website:

<http://sra.maryland.gov/agency/downloads/cafr/default.aspx>.

Benefits Provided

The Employees' Retirement and Pension Systems provide retirement allowances and other benefits to participants and their beneficiaries. All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland.

For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years' Average Final Compensation and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

Generally, a member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE H – PENSION PLAN (CONTINUED)

General Information about the Pension Plan (continued)

Contributions

Employees that work a minimum of 500 hours a year participate in the plan. Employees are required to contribute 7% of their annual earnable compensation and the Town is required to contribute at rates established annually. The current rate is 8.53% of covered payroll. The Town's contributions for the years ended June 30, 2016, 2015, and 2014 were \$110,039, \$122,411, and \$116,396, respectively.

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

At June 30, 2016, the Town reported a liability of \$1,206,943 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date using the entry age normal actuarial cost method. At June 30, 2015, the Town's proportion was 0.0058%. Actual employer contributions billed to participating government units for the year ended June 30, 2015 were used as the basis for determining each employer's proportionate share.

For the year ended June 30, 2016, the Town recognized pension expense of \$284,423. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 70,731	\$ -
Net difference between projected and actual investment earnings in pension plan investments	106,307	72,767
Actual and expected experience	-	24,717
Town contributions subsequent to the measurement date	110,039	-
Total	\$ 286,377	\$ 97,484

\$110,039 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	\$ 12,666
2018	12,666
2019	12,666
2020	33,717
2021	7,139
Total	\$ 78,854

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE H – PENSION PLAN (CONTINUED)

General Information about the Pension Plan (continued)

Actuarial Assumptions

The key actuarial assumptions used to perform the June 30, 2015 pension liability calculation are as follows:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.95% general, 3.45% wage
Salary Increases	3.40% to 11.9%, including inflation
Discount Rate	7.55%
Investment Rate of Return	7.55%
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience

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 Board after considering input from the System’s investment consultant(s) and actuary(s). For each major asset class that is included in the System’s target asset allocation, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	35%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	1%	0.00%
Total	<u>100%</u>	

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE H – PENSION PLAN (CONTINUED)

General Information about the Pension Plan (continued)

Discount Rate

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

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.55%) or 1% higher (8.55%) than the current rate:

	1% Decrease 6.55%	Current Discount Rate 7.55%	1% Increase 8.55%
Town’s proportionate share of the net pension liability	\$1,705,824	\$1,206,943	\$793,265

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Maryland State Retirement and Pension System financial report.

NOTE I – OTHER POSTEMPLOYMENT BENEFITS - HEALTH CARE

Plan Description

The Town of Mount Airy has a single-employer health insurance post retirement benefit plan. For employees hired prior to January 1, 2013, the plan provides retiree medical coverage for life for eligible participants. The coverage consists of a Medicare Supplemental Medical plan and Medicare D Rx plan. This coverage is free for the retiree. Employees electing no health coverage and Medicare D Rx plan at time of retirement may be enrolled in a health care reimbursement account at no cost to the retiree.

Spouses of retired employees are also covered. However, the retiree pays the difference between the cost of individual coverage and the cost of husband and wife coverage.

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I – OTHER POSTEMPLOYMENT BENEFITS - HEALTH CARE (CONTINUED)

Plan Description

To be eligible for this retiree medical plan:

- Employees hired before June 30, 2009: the active participant must retire after age 65 with 20 or more years of service.
- Employees hired after July 1, 2009 and before January 1, 2013: the active participant must retire after age 65 with 30 or more years of service.

For employees who retired prior to March 1, 2003, the plan provides retiree medical coverage for life for participant. In addition special consideration is given for prescription and medical reimbursements.

Funding Policy

These benefits are financed on a pay-as-you-go basis.

An actuarial valuation was performed as of July 1, 2015 to determine the Net OPEB obligation. The plan is not funded. The valuation used the projected unit cost method, with linear pro-ration to assumed benefit commencement.

Annual OPEB Cost and Net OPEB Obligation

The Town of Mount Airy’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 exceed thirty years. The following table shows the components of the Town of Mount Airy’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town of Mount Airy’s net OPEB obligation.

	Fiscal Year Ended June 30, 2016
Annual required contribution	\$129,000
Interest on net OPEB obligation	22,000
Adjustment to annual required contribution	<u>(39,000)</u>
Annual OPEB cost (expense)	112,000
Contributions made	<u>(10,292)</u>
Increase in net OPEB obligation	101,708
Net OPEB obligation – beginning of year	<u>673,326</u>
Net OPEB obligation – end of year	<u><u>\$775,034</u></u>

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I – OTHER POSTEMPLOYMENT BENEFITS - HEALTH CARE (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (continued)

The Town of Mount Airy’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$135,000	7%	\$539,379
June 30, 2015	\$144,000	7%	\$673,326
June 30, 2016	\$112,000	9%	\$775,034

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The unfunded actuarial accrued liability (UAAL) was \$1,115,000. As of July 1, 2015, the covered payroll (annual payroll of active employees covered by the plan) was \$1,367,537 and the ratio of the UAAL to the covered payroll was 81.53%.

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 annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as a supplemental schedule, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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 member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 5.0% initially, gradually decreasing over time. By 2030, the rate of increase is 5.3%, and by 2050 4.8%. The rates include a 2.9% inflation assumption. The UAAL is being amortized as a level dollar amount on a closed basis over thirty years (as of July 1, 2009).

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE J – OTHER EMPLOYEE BENEFITS

Health and Life Insurance

The Town provides health, life and disability insurance benefits to its employees and their dependents. The Town paid premiums of \$306,336 for employee insurance benefits for the year ended June 30, 2016. The Town also provides benefits for supplemental insurance coverage and flexible spending accounts under a cafeteria plan whereby premiums are fully funded by pre-tax payroll deductions and the only direct costs incurred by the Town are minimal fees for plan administration.

NOTE K – RISK MANAGEMENT

The Town is a member in the Local Government Insurance Trust (LGIT). The Trust is a consortium of Maryland local governments created July 1, 1987 to provide an alternative to the diminishing availability of insurance coverages to municipal governments and the increasing premium costs in the municipal insurance market. The Trust is owned and directed by the local governments (participants) that subscribe to its insurance coverages. The Trust's objectives are to 1.) offer broader insurance coverages and, in certain cases, coverages not otherwise available from commercial insurance providers, 2.) provide coverage to members at competitive rates, and 3.) develop programs and provide specific loss control and risk management assistance to local governments. The Trust is managed by a Board of Trustees and a contract administration company. The trustees are elected by a majority vote of the participants with each participant having one vote. The Town does not exercise any control over the Trust's operations.

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The maximum coverage under the liability pool of the Trust is \$1,000,000 per occurrence. The trust has the right to assess its members an amount up to twice their annual premium if the Trust experiences a deficit. At June 30, 2016, the Trust was not in a deficit position. Settled claims resulting from these risks have not exceeded insurance coverage for each of the past three years. During the year ended June 30, 2016 the Town paid premiums of \$58,109 to the Trust.

NOTE L – FUND BALANCE AND NET POSITION

Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the General Fund are as follows:

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE L – FUND BALANCE AND NET POSITION (CONTINUED)

Fund Balance (continued)

Committed to:	
Parks fee-in-lieu	\$ 131,908
Center Street improvements	<u>66,865</u>
Total committed	<u>198,773</u>
Assigned to:	
Capital improvements	3,982,024
Future land acquisition	336,856
Office and building improvements	52,858
Park reserve	413,960
Sidewalk improvements	6,624
Street and road repair	802,641
Truck and equipment replacement	<u>125,058</u>
Total assigned	<u>5,720,021</u>
Unassigned	<u>1,128,197</u>
Total fund balances	<u>\$7,046,991</u>

Net Position

Net position in the proprietary fund is unrestricted. Designations of portions of the unrestricted net position are established to indicate tentative plans for financial resource utilization in future periods. The unrestricted net position of the proprietary fund at June 30, 2016 was \$6,801,378 designated as follows:

Water system expansion	\$ 725,746
Well system expansion	1,165,587
Well system capital improvement	441,793
Sewerage system reserve	9,210
Treatment plant expansion	<u>3,062,976</u>
Total designated	5,405,312
Undesignated	<u>1,396,066</u>
Unrestricted net position	<u>\$6,801,378</u>

TOWN OF MOUNT AIRY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE M – LEASE AGREEMENTS

The Town has entered into communication tower lease agreements with various unrelated parties. These lease agreements are renewable for additional successive five-year periods at the lessees' discretion at various dates through 2038. Rental income for the year ended June 30, 2016, was \$40,669, reported in the Water and Sewer Fund. Future minimum rental payments to be received under the leases for the next five years, as of June 30, 2016, are as follows:

Year Ending June 30	Amount
2017	\$ 43,732
2018	45,044
2019	46,396
2020	47,787
2021	49,221
Total	<u>\$232,180</u>

NOTE N – CONCENTRATIONS AND ECONOMIC DEPENDENCIES

The Town provides various services to its residents. Credit is granted to the residents for taxes, and water and sewer bills. The Town may place a lien on any property associated with unpaid taxes and water and sewer services, therefore, an allowance for uncollectible amounts is not considered necessary.

The Town receives shared revenue from the counties and the state. The amounts of these funds are not guaranteed and may be reduced as a result of the current economic environment.

NOTE O – COMMITMENTS AND CONTINGENCIES

The Town is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Town.

TOWN OF MOUNT AIRY, MARYLAND

SUPPLEMENTAL SCHEDULES

TOWN OF MOUNT AIRY, MARYLAND
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Maryland State Retirement and Pension System

	Fiscal Year Ended June 30,	
	2016	2015
Town's proportion of the net pension liability	0.00581%	0.00499%
Town's proportionate share of the net pension liability	\$ 1,206,943	\$ 886,407
Town's covered-employee payroll	\$ 1,258,076	\$ 1,163,955
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	95.936%	76.155%
Plan fiduciary net position as a percentage of the total pension liability	68.783%	71.869%

* The amounts presented were determined as of the end of the prior fiscal year.

TOWN OF MOUNT AIRY, MARYLAND
SCHEDULE OF TOWN CONTRIBUTIONS
Maryland State Retirement and Pension System

	Fiscal Year Ended June 30,		
	2016	2015	2014
Contractually required contribution	\$ 110,039	\$ 122,411	\$ 116,396
Contributions in relation to the contractually required contribution	110,039	122,411	116,396
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,290,022	\$ 1,258,076	\$ 1,163,955
Contributions as a percentage of covered-employee payroll	8.53%	9.73%	10.00%

TOWN OF MOUNT AIRY, MARYLAND
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS - HEALTH CARE

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2013	--	\$1,155,000	\$1,155,000	0.00%	\$1,177,712	98.07%
July 1, 2014	--	\$1,253,000	\$1,253,000	0.00%	\$1,309,533	95.68%
July 1, 2015	--	\$1,115,000	\$1,115,000	0.00%	\$1,367,537	81.53%

TOWN OF MOUNT AIRY, MARYLAND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes:			
Real property taxes	\$ 1,736,000	\$ 1,739,400	\$ 3,400
Personal property tax:			
Railroad and public utility	22,250	22,888	638
Ordinary business corporations	114,000	97,259	(16,741)
Penalties and interest	-	14,086	14,086
Income taxes	1,430,000	1,557,981	127,981
Admissions and amusement taxes	16,400	15,230	(1,170)
Highway taxes	333,325	342,193	8,868
	<u>3,651,975</u>	<u>3,789,037</u>	<u>137,062</u>
Licenses and permits:			
Alcoholic beverage	4,800	5,363	563
Traders' licenses	23,000	26,650	3,650
Cable and video licenses	116,000	111,685	(4,315)
	<u>143,800</u>	<u>143,698</u>	<u>(102)</u>
Intergovernmental:			
Federal grants	-	48,551	48,551
State grants	-	30,008	30,008
County grants	1,022,932	692,571	(330,361)
Police protection	39,100	90,813	51,713
Financial corporation	86	86	-
	<u>1,062,118</u>	<u>862,029</u>	<u>(200,089)</u>
Fees and fines:			
Zoning and subdivision fees	23,827	20,275	(3,552)
Developer inspection fees	20,000	12,603	(7,397)
Parking citations and restitution	1,200	1,025	(175)
Code enforcement/property maintenance	-	13,200	13,200
Sanitation fees	1,000	200	(800)
Park fees	5,400	4,010	(1,390)
Skate park fees	4,800	4,583	(217)
	<u>56,227</u>	<u>55,896</u>	<u>(331)</u>
Capital improvement assessments	45,500	32,500	(13,000)
Interest and other investment income	21,000	21,089	89
Miscellaneous	17,150	9,946	(7,204)
	<u>87,650</u>	<u>63,535</u>	<u>(24,115)</u>
Total Revenues	<u>\$ 4,997,770</u>	<u>\$ 4,914,195</u>	<u>\$ (83,575)</u>

TOWN OF MOUNT AIRY, MARYLAND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Expenditures:			
General government:			
Salaries	\$ 449,800	\$ 447,750	\$ 2,050
Audit	22,220	22,220	-
Legal	28,000	64,932	(36,932)
Insurance: General	46,010	44,721	1,289
Office	36,064	35,819	245
Utilities	27,500	18,319	9,181
Repairs and maintenance	34,425	42,385	(7,960)
Computer maintenance	65,420	26,796	38,624
Dues, meetings and conventions	26,550	27,409	(859)
Telephone	14,200	16,198	(1,998)
Town codification	8,800	7,491	1,309
Other	38,150	36,141	2,009
	<u>797,139</u>	<u>790,181</u>	<u>6,958</u>
Planning and zoning:			
Salaries	213,200	208,981	4,219
Legal	10,500	19,188	(8,688)
Consultant fees	1,200	-	1,200
Advertising	3,000	4,491	(1,491)
Travel	100	113	(13)
Administration	70,205	46,073	24,132
	<u>298,205</u>	<u>278,846</u>	<u>19,359</u>
Public safety:			
Resident Trooper Program	900,998	900,470	528
Salaries	40,000	-	40,000
Contribution to volunteer fire company	173,600	173,600	-
Emergency preparedness	2,000	-	2,000
Administration	-	4,206	(4,206)
Other	12,600	7,939	4,661
	<u>1,129,198</u>	<u>1,086,215</u>	<u>42,983</u>

TOWN OF MOUNT AIRY, MARYLAND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2016
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Streets and roads:			
Salaries	101,000	98,894	2,106
Maintenance	93,400	112,873	(19,473)
Snow removal	270,000	268,718	1,282
Automotive	7,800	8,469	(669)
Fuel	19,000	11,516	7,484
Street lighting	<u>159,000</u>	<u>158,195</u>	<u>805</u>
Total streets and roads	<u>650,200</u>	<u>658,665</u>	<u>(8,465)</u>
Waste collection:			
Sanitation collection	267,662	262,362	5,300
Landfill fees	142,500	134,111	8,389
Sanitation and recycling education	1,000	235	765
Other	<u>10,300</u>	<u>11,322</u>	<u>(1,022)</u>
Total waste collection	<u>421,462</u>	<u>408,030</u>	<u>13,432</u>
Parks and recreation:			
Salaries	143,500	144,806	(1,306)
Maintenance	31,500	28,695	2,805
Utilities	4,000	3,367	633
Fuel	19,000	11,516	7,484
Automotive	6,500	1,187	5,313
Recreation and culture	10,300	5,385	4,915
Sanitary facilities	2,600	5,726	(3,126)
Beautification program	<u>31,760</u>	<u>27,869</u>	<u>3,891</u>
Total parks and recreation	<u>249,160</u>	<u>228,551</u>	<u>20,609</u>
Economic development:			
Downtown revitalization	13,928	11,526	2,402
Other	<u>14,395</u>	<u>9,684</u>	<u>4,711</u>
Total economic development	<u>28,323</u>	<u>21,210</u>	<u>7,113</u>

TOWN OF MOUNT AIRY, MARYLAND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2016
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Miscellaneous:			
Insurance: Medical and life	206,000	206,219	(219)
Payroll taxes	69,424	66,926	2,498
Retirement	79,710	72,952	6,758
Contingencies	4,000	1,170	2,830
Total miscellaneous	<u>359,134</u>	<u>347,267</u>	<u>11,867</u>
Capital expenditures:			
General government	204,000	61,164	142,836
Streets and roads	882,850	584,006	298,844
Parks and recreation	941,000	298,340	642,660
Total capital expenditures	<u>2,027,850</u>	<u>943,510</u>	<u>1,084,340</u>
Total Expenditures	<u>\$ 5,960,671</u>	<u>\$ 4,762,475</u>	<u>\$ 1,198,196</u>

TOWN OF MOUNT AIRY, MARYLAND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
WATER AND SEWER FUND
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Sewer system:			
Service charges	\$ 1,040,500	\$ 1,041,056	\$ 556
Connection charges	11,900	5,100	(6,800)
Expansion fund charges	17,500	7,500	(10,000)
Total sewer system revenues	<u>1,069,900</u>	<u>1,053,656</u>	<u>(16,244)</u>
Water service:			
Service charges	1,190,000	1,177,972	(12,028)
Connection charges	11,900	8,500	(3,400)
Expansion fund charges	21,000	20,863	(137)
Total water service revenues	<u>1,222,900</u>	<u>1,207,335</u>	<u>(15,565)</u>
Well system:			
Exploration and development fees	10,500	7,500	(3,000)
Other revenues:			
Interest and other investment income	48,000	50,154	2,154
Benefit charge	228,600	230,978	2,378
Capital improvement assessments	14,000	8,000	(6,000)
Developer inspection fees	20,000	12,603	(7,397)
Penalties	11,900	18,469	6,569
State grants	-	36,000	36,000
Water tower revenue	42,464	40,669	(1,795)
Miscellaneous	21,000	20,876	(124)
Total other revenues	<u>385,964</u>	<u>417,749</u>	<u>31,785</u>
Total Revenues	<u>\$ 2,689,264</u>	<u>\$ 2,686,240</u>	<u>\$ (3,024)</u>

TOWN OF MOUNT AIRY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
WATER AND SEWER FUND
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Expenses:			
Sewer system:			
Salaries	\$ 248,000	\$ 243,083	\$ 4,917
Chemicals and supplies	117,000	121,563	(4,563)
Electricity	157,500	160,324	(2,824)
Maintenance and repairs:			
Sewer system	101,700	46,101	55,599
Wastewater treatment plant	196,400	190,297	6,103
Fuel	13,500	8,431	5,069
Total sewer system expenses	<u>834,100</u>	<u>769,799</u>	<u>64,301</u>
Water service:			
Salaries	248,000	243,083	4,917
Chemicals and supplies	54,000	59,078	(5,078)
Electricity	85,500	91,899	(6,399)
Maintenance and repairs	74,000	95,313	(21,313)
Fuel	13,500	8,431	5,069
Total water service expenses	<u>475,000</u>	<u>497,804</u>	<u>(22,804)</u>
Administrative and other expenses:			
Audit	18,180	18,180	-
Legal	6,000	6,373	(373)
Insurance: General	45,000	44,080	920
Insurance: Medical and life	122,800	110,409	12,391
Other postemployment benefits	-	32,630	(32,630)
Payroll taxes	37,944	36,882	1,062
Retirement	44,609	94,286	(49,677)
Motor vehicle	6,500	4,915	1,585
Computer maintenance	15,580	14,251	1,329
Office	15,500	14,714	786
Telephone	17,050	19,053	(2,003)
Certification and training	6,000	4,362	1,638
Bond interest	204,804	76,123	128,681
Depreciation	-	1,191,590	(1,191,590)
Loss on disposal of capital assets	-	442	(442)
Other	11,000	7,085	3,915
Total administrative and other expenses	<u>550,967</u>	<u>1,675,375</u>	<u>(1,124,408)</u>
Total Expenses	<u>\$ 1,860,067</u>	<u>\$ 2,942,978</u>	<u>\$ (1,082,911)</u>