

***TOWN OF MOUNT AIRY, MARYLAND***

***FINANCIAL STATEMENTS***

***Year Ended June 30, 2015***

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## ***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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2015, 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.

## **Emphasis of Matter**

As described in Note A to the financial statements, with the implementation of GASB Statement No. 68, the Town has retroactively restated net position in the Statement of Net Position for net pension liability and deferred outflows related to pensions incurred in prior years. Our opinion is not modified with respect to that matter.

## **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 45 through 47 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 48 through 53, 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.

*Gary R. Bozell & Associates, P.A.*

Towson, Maryland  
October 27, 2015

**TOWN OF MOUNT AIRY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*June 30, 2015*

Our discussion and analysis of the Town of Mount Airy's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2015. 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 2015 by \$60,471,328 (total net position). Of this amount, \$29,085,910 was for governmental activities and \$31,385,418 was for business-type activities. Further, the amount of net position that was unrestricted at year end was \$5,845,753 for governmental activities and \$6,835,891 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 \$31,801, and business-type activities decreased by \$43,363, resulting in a \$75,164 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, 2015, the total liabilities and fund balances for governmental funds were \$8,363,243. This is an increase of \$1,141,862 from Fiscal Year 2014.
- At the close of Fiscal Year 2015, the Town's governmental fund reported an ending fund balance of \$6,876,371, an increase of \$37,655 from Fiscal Year 2014. 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 \$15 million. You can find this information in the Notes to Financial Statements, Note B – Cash and Investments. Total deposits and investments increased \$1,398,377 from Fiscal Year 2014. 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 \$5,321 from Frederick County for expenses relating to pothole repairs needed after an extremely harsh winter.
- The Water and Sewer Fund ended Fiscal Year 2015 with \$2,940 in operating income, as reported on the Statement of Revenues, Expenses and Changes in Net Position Proprietary Fund.
- The Town's Water and Sewer Fund long-term debt balance was \$6,067,880 by year end, a net increase of \$172,327 from Fiscal Year 2014. 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 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.

**TOWN OF MOUNT AIRY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*June 30, 2015*

- The Town implemented several new Governmental Accounting Standards Board (GASB) standards in Fiscal Year 2015. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, is to improve accounting and financial reporting for the employee pension plan. GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, established accounting and financial reporting standards related to government combinations and disposals of government operations. GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, addresses an issue regarding application of the transition provisions of Statement No. 68 associated with contributions made by a state or local government employer. 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.

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.

**TOWN OF MOUNT AIRY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*June 30, 2015*

**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.

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

***TOWN OF MOUNT AIRY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015***

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.

**TOWN OF MOUNT AIRY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*June 30, 2015*

**Governmental-Wide Financial Information**

The following is selected information as of June 30, 2015 and for the previous year ended, which is provided for comparison purposes.

	<b>2015</b>			<b>2014</b>		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 8,363,243	\$ 7,686,121	\$ 16,049,364	\$ 7,221,381	\$ 7,479,682	\$ 14,701,063
Capital assets	23,240,157	30,617,407	53,857,564	23,228,283	30,605,692	53,833,975
Total assets	<u>31,603,400</u>	<u>38,303,528</u>	<u>69,906,928</u>	<u>30,449,664</u>	<u>38,085,374</u>	<u>68,535,038</u>
Deferred outflows of resources	92,185	43,049	135,234	-	-	-
Current liabilities	1,486,872	359,325	1,846,197	382,666	310,079	692,745
Long-term liabilities	-	6,051,580	6,051,580	-	5,878,353	5,878,353
Net pension liability	604,086	282,321	886,407	-	-	-
Accrued liability for other postemployment benefits	452,596	220,731	673,327	362,604	176,775	539,379
Total liabilities	<u>2,543,554</u>	<u>6,913,957</u>	<u>9,457,511</u>	<u>745,270</u>	<u>6,365,207</u>	<u>7,110,477</u>
Deferred inflow of resources	66,121	47,202	113,323	-	17,200	17,200
Net position						
Invested in capital assets, net of related debt	23,240,157	24,549,527	47,789,684	23,228,283	24,710,139	47,938,422
Restricted	-	-	-	-	-	-
Unrestricted	5,845,753	6,835,891	12,681,644	6,476,111	6,992,828	13,468,939
Total net position	<u>\$ 29,085,910</u>	<u>\$ 31,385,418</u>	<u>\$ 60,471,328</u>	<u>\$ 29,704,394</u>	<u>\$ 31,702,967</u>	<u>\$ 61,407,361</u>
Program revenues						
Charges for services	\$ 62,020	\$ 2,604,878	\$ 2,666,898	\$ 88,037	\$ 2,791,200	\$ 2,879,237
Operating grants and contributions	385,112	36,000	421,112	389,391	-	389,391
Capital grants and contributions	385,249	76,092	461,341	254,700	278,308	533,008
Total program revenues	<u>832,381</u>	<u>2,716,970</u>	<u>3,549,351</u>	<u>732,128</u>	<u>3,069,508</u>	<u>3,801,636</u>
General revenues						
Income taxes	1,378,433	-	1,378,433	1,396,795	-	1,396,795
Real property taxes	1,716,702	-	1,716,702	1,631,023	-	1,631,023
Personal property tax	129,595	-	129,595	127,883	-	127,883
Penalties and interest	14,579	-	14,579	17,631	-	17,631
Admissions and amusement taxes	39,668	-	39,668	16,409	-	16,409
Licenses and permits	134,149	-	134,149	127,701	-	127,701
Intergovernmental	664,720	-	664,720	666,816	-	666,816
Unrestricted investment income	19,348	46,968	66,316	20,424	47,420	67,844
Total general revenues	<u>4,097,194</u>	<u>46,968</u>	<u>4,144,162</u>	<u>4,004,682</u>	<u>47,420</u>	<u>4,052,102</u>

**TOWN OF MOUNT AIRY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

Total revenue	4,929,575	2,763,938	7,693,513	4,736,810	3,116,928	7,853,738
Transfers	-	-	-	-	-	-
Total revenues and transfers	4,929,575	2,763,938	7,693,513	4,736,810	3,116,928	7,853,738
Total expenses	4,961,376	2,807,301	7,768,677	4,607,651	2,754,910	7,362,561
Change in net position	-31,801	-43,363	-75,164	129,159	362,018	491,177
Net position, beginning of year	29,117,711	31,428,781	60,546,492	29,575,235	31,340,949	60,916,184
Net position, end of year	29,085,910	31,385,418	60,471,328	29,704,394	31,702,967	61,407,361
Cumulative effect of restatement for net pension liability and deferred outflows related to pensions	-	-	-	586,683	274,186	860,869
Net position as restated	<u>\$ 29,085,910</u>	<u>\$ 31,385,418</u>	<u>\$ 60,471,328</u>	<u>\$ 29,117,711</u>	<u>\$ 31,428,781</u>	<u>\$ 60,546,492</u>

**Business-type Activities**

Business-type activities decreased the Town's net position by \$43,363, as reported in the preceding chart, and charges for services decreased by \$186,322 from Fiscal Year 2014. In reviewing the Statement of Cash Flows, the net cash provided by operating activities was \$1,157,566.

**The Town's Funds**

The following schedule presents a summary of general revenues and expenditures for the fiscal year ended June 30, 2015, and percentage of increases and decreases in relation to the prior year.

	FYE 2015 Amount	FYE 2014 Amount	Increase (Decrease) From FYE 14	Percent Change
<b>Revenues</b>				
Taxes	\$ 3,576,570	\$ 3,475,959	\$ 100,611	3%
Licenses and permits	134,149	127,701	6,448	5%
Intergovernmental	1,072,488	769,989	302,499	39%
Fees and fines	46,858	66,815	(19,957)	-30%
Capital improvements	65,000	247,000	(182,000)	-74%
Interest and other investment income	19,348	20,424	(1,076)	-5%
Miscellaneous	17,762	24,472	(6,710)	-27%
Total revenues	<u>\$ 4,932,175</u>	<u>\$ 4,732,360</u>	<u>\$ 199,815</u>	4%
<b>Expenditures</b>				
General government	\$ 840,371	\$ 684,338	\$ 156,033	23%
Planning and zoning	241,463	188,439	53,024	28%
Public safety	982,729	832,381	150,348	18%
Streets and roads	502,828	473,542	29,286	6%
Waste collection	385,730	392,003	(6,273)	-2%
Parks and recreation	197,640	249,779	(52,139)	-21%
Economic development	24,450	15,371	9,079	59%
Miscellaneous	362,373	348,524	13,849	4%
Capital expenditures	1,356,936	912,144	444,792	49%
Total expenditures	<u>\$ 4,894,520</u>	<u>\$ 4,096,521</u>	<u>\$ 797,999</u>	19%

**TOWN OF MOUNT AIRY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*June 30, 2015*

Total revenues for Governmental Funds in Fiscal Year 2015 increased by 4% from Fiscal Year 2014, as shown on the previous chart. Tax revenue increased slightly as did licenses and permits. A large increase in intergovernmental revenue was due to money the Town received 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. Decreases in revenues were experienced in fees and fines, capital improvements, interest and other investment income, and miscellaneous. Capital improvements decreased by 74%, the largest variance of all revenues from Fiscal Year 2014. The Town experienced a slow year in the issuance of new building permits for homes and commercial properties. Fines and fees came in 30% lower than the previous fiscal year. Zoning and subdivision fees and code enforcement/property maintenance revenue contributed to this decrease. Interest and other investment income decreased 5% from Fiscal Year 2014. Interest rates on investments continue to remain low and though the Town had more money in investment and savings accounts in Fiscal Year 2015, less interest was earned than the previous fiscal year. Miscellaneous revenues were 27% less than the previous fiscal year; it is normal for this revenue to fluctuate from year to year.

Total expenditures for Governmental Funds increased by 19% in Fiscal Year 2015. Seven categories increased while two categories decreased. Economic development expenses were 59% higher than the previous fiscal year; however, the actual dollar variance was just over \$9,000. This category is part of the Community Development & Planning Department that was formed in Fiscal Year 2013, and as projects and programs are developed more funding is provided to better serve the citizens and businesses of Mount Airy. Capital expenditures came in 49% higher than Fiscal Year 2014. This category typically varies widely from one fiscal year to the next, depending upon the projects that are planned, and this year were \$444,792 greater than the previous year. Planning and zoning expenses were 28% more than the previous fiscal year. This can be attributed to expenses related to the completion of the master plan and a study that is being completed for Route 27 that will help with land use planning. General government expenses were up 23% due to legal fees, primarily from a homeowners association taking legal action against the Town in an effort to transfer ownership of privately owned roads to the Town. Public safety increased 18% and can be attributed to increases in the Resident Trooper Program. Streets and roads expenses were 6% higher than Fiscal Year 2014, mostly from an increase in the purchase of snow removal equipment and supplies. Waste collection decreased by 2% with landfill fees and sanitation and recycling education coming in less than the year before. Parks and recreation decreased by 21% mostly due to a redistribution of departmental allocations for payroll.

### **General Fund Budgetary Highlights**

Revenues received were \$361,026 less than budgeted, and expenses were \$736,805 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 2016. The largest variance in expenditures was in capital expenditures, and can be attributed to sidewalk, storm drain, and park projects that have been delayed due to scheduling and will be completed in future fiscal years.

**TOWN OF MOUNT AIRY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*June 30, 2015*

	Governmental Funds			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	\$ 3,570,750	\$ 3,570,750	\$ 3,576,570	\$ 5,820
Licenses and permits	118,350	118,350	134,149	15,799
Intergovernmental	1,076,152	1,396,401	1,072,488	(323,913)
Fees and fines	65,800	65,800	46,858	(18,942)
Capital improvement assessments	151,400	104,000	65,000	(39,000)
Interest and other investment income	25,000	25,000	19,348	(5,652)
Miscellaneous	12,900	12,900	17,762	4,862
Total revenues	<u>\$ 5,020,352</u>	<u>\$ 5,293,201</u>	<u>\$ 4,932,175</u>	<u>\$ (361,026)</u>

	Governmental Funds			
	Original Budget	Final Budget	Actual	Variance
Expenditures				
General government	\$ 739,728	\$ 833,328	\$ 840,371	\$ (7,043)
Planning and zoning	315,063	278,063	241,463	36,600
Public safety	929,504	990,236	982,729	7,507
Streets and roads	495,950	495,950	502,828	(6,878)
Waste collection	403,471	403,471	385,730	17,741
Parks and recreation	213,771	213,771	197,640	16,131
Economic development	28,300	28,300	24,450	3,850
Miscellaneous	375,072	375,072	362,373	12,699
Capital expenditures	1,807,900	2,013,134	1,356,936	656,198
Total expenditures	<u>\$ 5,308,759</u>	<u>\$ 5,631,325</u>	<u>\$ 4,894,520</u>	<u>\$ 736,805</u>

**Capital Asset and Debt Administration**

**Capital Assets**

Many capital improvement projects were completed throughout Fiscal Year 2015 and added to the assets of the Town. The streets and roads department continued with the Annual Road Repaving Program and the Annual Sidewalk Replacement Program; equipment purchases included a new vehicle, a wood chipper, and a street sweeper. Parks and recreation projects included: tennis court rehabilitation at Village Gate; tennis court and basketball court rehabilitation, the addition of a parking lot and new fencing at the dog park area at Watkins Park; swings at Summit Ridge; and new park entrance signs to Watkins, Prospect and East/West parks. General government projects included: a stairwell at the rear exit of Town Hall, rehabilitation of the document retention room at Town Hall, a new audio system for the council room, and a vehicle wash station at the Department of Public Works facility.

The Water and Sewer Department added a generator, a polymer pump and two blowers at the Waste Water Treatment Plant, and a variable frequency drive at Sewer Station #5. One new pick-up truck and one small dump truck were purchased.

**TOWN OF MOUNT AIRY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*June 30, 2015*

**Debt**

At year end, the Town's Water and Sewer Department had \$6,067,880 in outstanding debt, compared to \$5,895,553 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 had drawn \$4,399,270 of the available \$5,339,431.

**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 for the last 5 fiscal years 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. The Maryland Municipal League will continue to lobby the Maryland State Legislature for full restoration of state revenues, but in the meantime the Town of Mount Airy is holding its own. Careful planning for the future financial health of the Town will continue to be the focus of the Mayor and Town Council.

Maryland's "Rain Tax" will have a financial effect on the Town. This tax is a result of a decree by the Environmental Protection Agency (EPA) which 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", known as the Rain Tax, on ten of its twenty-four local jurisdictions within the state, including Carroll County and Frederick County. 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 approximately \$1,000,000 on the Frederick County side of town, and \$338,000 on the Carroll County side of town.

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. 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.

**TOWN OF MOUNT AIRY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*June 30, 2015*

The Water and Sewer Fund has remained self-sufficient for the last four 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, are being 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, 2015*

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,318,097	\$ 3,519,717	\$ 6,837,814
Investments	4,788,933	3,475,712	8,264,645
Taxes receivable	62,158	-	62,158
Accounts receivable	60,695	12,036	72,731
Unbilled service charges	-	617,051	617,051
Interest and dividends receivable	31,313	61,605	92,918
Intergovernmental receivables	27,029	-	27,029
Prepaid expenses	75,018	-	75,018
Capital assets:			
Land and construction in progress	2,418,868	6,302,668	8,721,536
Other capital assets, net of accumulated depreciation	20,821,289	24,314,739	45,136,028
<b>TOTAL ASSETS</b>	<b>31,603,400</b>	<b>38,303,528</b>	<b>69,906,928</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	92,185	43,049	135,234
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	1,255,205	310,184	1,565,389
Refundable deposits	231,667	-	231,667
Note and bond interest payable	-	49,141	49,141
Notes payable			
Due within one year	-	213,103	213,103
Due in more than one year	-	681,638	681,638
Bonds payable			
Due within one year	-	302,000	302,000
Due in more than one year	-	4,854,839	4,854,839
Net pension liability	604,086	282,321	886,407
Accrued liability for other postemployment benefits	452,596	220,731	673,327
<b>TOTAL LIABILITIES</b>	<b>2,543,554</b>	<b>6,913,957</b>	<b>9,457,511</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from refunding of debt	-	16,300	16,300
Deferred inflows related to pensions	66,121	30,902	97,023
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>66,121</b>	<b>47,202</b>	<b>113,323</b>
<b>NET POSITION</b>			
Net investment in capital assets	23,240,157	24,549,527	47,789,684
Unrestricted	5,845,753	6,835,891	12,681,644
<b>TOTAL NET POSITION</b>	<b>\$ 29,085,910</b>	<b>\$ 31,385,418</b>	<b>\$ 60,471,328</b>

*See accompanying notes to financial statements.*

**TOWN OF MOUNT AIRY, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
*For the Year Ended June 30, 2015*

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
General government	\$ 1,148,961	\$ 35,781	\$ -	\$ 65,000	\$ (1,048,180)
Planning and zoning	334,713	16,624	-	-	(318,089)
Public safety	982,729	900	87,519	-	(894,310)
Waste collection	386,076	-	-	-	(386,076)
Parks and recreation	294,296	8,715	-	-	(285,581)
Streets and roads	1,790,151	-	297,593	320,249	(1,172,309)
Economic development	24,450	-	-	-	(24,450)
<b>Total Governmental Activities</b>	<b>4,961,376</b>	<b>62,020</b>	<b>385,112</b>	<b>385,249</b>	<b>(4,128,995)</b>
Business-type Activities					
Water and sewer	2,807,301	2,604,878	36,000	76,092	(90,331)
<b>Total Business-type Activities</b>	<b>2,807,301</b>	<b>2,604,878</b>	<b>36,000</b>	<b>76,092</b>	<b>(90,331)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 7,768,677</b>	<b>\$ 2,666,898</b>	<b>\$ 421,112</b>	<b>\$ 461,341</b>	<b>\$ (4,219,326)</b>

*See accompanying notes to financial statements.*

**TOWN OF MOUNT AIRY, MARYLAND**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
*For the Year Ended June 30, 2015*

	Primary Government		
	Governmental Activities	Business-type Activities	Total
CHANGE IN NET POSITION			
Net (expense) revenue	\$ (4,128,995)	\$ (90,331)	\$ (4,219,326)
General revenues:			
Taxes:			
Real property taxes	1,716,702	-	1,716,702
Personal property tax:			
Railroad and public utility	22,642	-	22,642
Ordinary business corporations	106,953	-	106,953
Penalties and interest	14,579	-	14,579
Income taxes	1,378,433	-	1,378,433
Admissions and amusement taxes	39,668	-	39,668
Licenses and permits:			
Alcoholic beverage	5,363	-	5,363
Traders' licenses	23,027	-	23,027
Cable and video licenses	105,759	-	105,759
Intergovernmental:			
County grants	664,634	-	664,634
Financial corporation	86	-	86
Unrestricted investment income	19,348	46,968	66,316
Total general revenues	4,097,194	46,968	4,144,162
CHANGE IN NET POSITION	(31,801)	(43,363)	(75,164)
NET POSITION - AS RESTATED	29,117,711	31,428,781	60,546,492
NET POSITION - ENDING	\$ 29,085,910	\$ 31,385,418	\$ 60,471,328

*See accompanying notes to financial statements.*

**TOWN OF MOUNT AIRY, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
*June 30, 2015*

	<u>Total Governmental Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,318,097
Investments	4,788,933
Taxes receivable	62,158
Accounts receivable	60,695
Interest and dividends receivable	31,313
Intergovernmental receivables	27,029
Prepaid items	<u>75,018</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 8,363,243</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 1,255,205
Refundable deposits	<u>231,667</u>
<b>TOTAL LIABILITIES</b>	<u>1,486,872</u>
 <b>FUND BALANCE</b>	
Nonspendable	75,018
Committed	195,336
Assigned	5,650,550
Unassigned	<u>955,467</u>
<b>TOTAL FUND BALANCE</b>	<u>6,876,371</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 8,363,243</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, 2015**

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 6,876,371
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>	
Capital assets of \$41,643,313 net of accumulated depreciation of (\$18,403,156) are not financial resources and, therefore, are not reported in the funds. See Note E for additional detail.	23,240,157
Liabilities for pensions are not reported in the funds. See Note H for additional detail.	(604,086)
Liabilities for other postemployment benefits are not reported in the funds. See Note I for additional detail.	(452,596)
Deferred outflows and inflows of resources related to pensions are not reported in the funds. See Note H for additional details.	<u>26,064</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 29,085,910</u></u>

**TOWN OF MOUNT AIRY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
*For the Year Ended June 30, 2015*

	<u>Total Governmental Funds</u>
<b>REVENUES</b>	
Taxes	\$ 3,576,570
Licenses and permits	134,149
Intergovernmental	1,072,488
Fees and fines	46,858
Capital improvement assessments	65,000
Interest and other investment income	19,348
Miscellaneous	<u>17,762</u>
<b>TOTAL REVENUES</b>	<u>4,932,175</u>
<b>EXPENDITURES</b>	
General government	840,371
Planning and zoning	241,463
Public safety	982,729
Streets and roads	502,828
Waste collection	385,730
Parks and recreation	197,640
Economic development	24,450
Miscellaneous	362,373
Capital expenditures	<u>1,356,936</u>
<b>TOTAL EXPENDITURES</b>	<u>4,894,520</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	37,655
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	37,655
<b>FUND BALANCE - BEGINNING</b>	<u>6,838,716</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 6,876,371</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, 2015*

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	37,655
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>		
<p>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 \$1,393,390 exceeded depreciation of (\$1,340,387) in the current period.</p>		53,003
<p>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 (\$156,027), net of related accumulated depreciation of \$114,897.</p>		(41,130)
<p>The effect of the change in the net pension liability and deferred outflows and inflows related to pensions.</p>		8,662
<p>The effect of other postemployment benefits.</p>		<u>(89,991)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(31,801)</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, 2015*

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 3,570,750	\$ 3,570,750	\$ 3,576,570	\$ 5,820
Licenses and permits	118,350	118,350	134,149	15,799
Intergovernmental	1,076,152	1,396,401	1,072,488	(323,913)
Fees and fines	65,800	65,800	46,858	(18,942)
Capital improvement assessments	151,400	104,000	65,000	(39,000)
Interest and other investment income	25,000	25,000	19,348	(5,652)
Miscellaneous	12,900	12,900	17,762	4,862
	<b>5,020,352</b>	<b>5,293,201</b>	<b>4,932,175</b>	<b>(361,026)</b>
<b>EXPENDITURES</b>				
General government	739,728	833,328	840,371	(7,043)
Planning and zoning	315,063	278,063	241,463	36,600
Public safety	929,504	990,236	982,729	7,507
Streets and roads	495,950	495,950	502,828	(6,878)
Waste collection	403,471	403,471	385,730	17,741
Parks and recreation	213,771	213,771	197,640	16,131
Economic development	28,300	28,300	24,450	3,850
Miscellaneous	375,072	375,072	362,373	12,699
Capital expenditures	1,807,900	2,013,134	1,356,936	656,198
	<b>5,308,759</b>	<b>5,631,325</b>	<b>4,894,520</b>	<b>736,805</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(288,407)</b>	<b>(338,124)</b>	<b>37,655</b>	<b>375,779</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (288,407)</b>	<b>\$ (338,124)</b>	<b>37,655</b>	<b>\$ 375,779</b>
FUND BALANCE - BEGINNING			6,838,716	
FUND BALANCE - ENDING			<b>\$ 6,876,371</b>	

*See accompanying notes to financial statements.*

**TOWN OF MOUNT AIRY, MARYLAND**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUND**  
*June 30, 2015*

	Enterprise Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,519,717
Investments	3,475,712
Accounts receivable	12,036
Unbilled service charges	617,051
Interest and dividends receivable	61,605
Capital assets:	
Land and construction in progress	6,302,668
Other capital assets, net of accumulated depreciation	24,314,739
<b>TOTAL ASSETS</b>	<b>38,303,528</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	43,049
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	310,184
Note and bond interest payable	49,141
Notes payable	
Due within one year	213,103
Due in more than one year	681,638
Bonds payable	
Due within one year	302,000
Due in more than one year	4,854,839
Net pension liability	282,321
Accrued liability for other postemployment benefits	220,731
<b>TOTAL LIABILITIES</b>	<b>6,913,957</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from refunding of debt	16,300
Deferred inflows related to pensions	30,902
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>47,202</b>
<b>NET POSITION</b>	
Net investment in capital assets	24,549,527
Unrestricted	6,835,891
<b>TOTAL NET POSITION</b>	<b>\$ 31,385,418</b>

*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, 2015*

	Enterprise Fund
OPERATING REVENUES	
Sewer system	\$ 1,087,783
Water service	1,229,270
Well system	18,000
Other revenues	381,917
TOTAL OPERATING REVENUES	2,716,970
OPERATING EXPENSES	
Sewer system	796,489
Water service	467,489
Administrative and other expenses	372,720
Depreciation	1,077,332
TOTAL OPERATING EXPENSES	2,714,030
OPERATING INCOME (LOSS)	2,940
NON-OPERATING REVENUES (EXPENSES)	
Interest and other investment income	46,968
Bond interest expense	(93,458)
Gain on disposal of capital assets	187
TOTAL NON-OPERATING REVENUES (EXPENSES)	(46,303)
CHANGE IN NET POSITION	(43,363)
NET POSITION - AS RESTATED	31,428,781
NET POSITION - ENDING	\$ 31,385,418

*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, 2015**

	Enterprise Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,458,848
Cash payments to suppliers for goods and services	(1,075,490)
Cash payments to employees for services	(478,406)
Other operating revenues	252,614
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,157,566</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(961,936)
Disposal of capital assets	500
Proceeds of bonds issued	677,742
Principal paid on notes and bonds	(505,415)
Interest paid on notes and bonds	(214,494)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,003,603)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(197,156)
Interest and other investment income	176,138
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(21,018)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>132,945</b>
<b>CASH AND CASH EQUIVALENTS AT JULY 1, 2014</b>	<b>3,386,772</b>
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2015</b>	<b>\$ 3,519,717</b>

*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, 2015*

	Enterprise Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 2,940
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:	
Depreciation	1,077,332
(Increase) decrease in accounts receivable	(5,508)
Increase (decrease) in accounts payable	42,861
Increase (decrease) in pension expense	(4,014)
Increase (decrease) in other postemployment benefits	43,955
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,157,566

*See accompanying notes to financial statements.*

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

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, 2015*

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, 2015*

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, 2015*

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, 2015*

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, 2015**

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. Investments are reported at fair value.

Budget and Budgetary Accounting

The Mayor, on or before June 1<sup>st</sup> 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 27, 2015 the date on which the financial statements were available to be issued.

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Governmental Accounting Standards Board Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, is effective for the Town beginning with its year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pension in which they are involved. The Town currently participates in the Employees Retirement and Pension Systems, which is a cost-sharing multiple-employer defined benefit plan sponsored and administered by the State Retirement and Pension System of Maryland. The Town is reporting its share of the net pension liability, pension expense, deferred outflows and deferred inflows of the State plan, as applicable, as well as informational disclosures.

With the implementation of GASB Statement No. 68, the Town has retroactively restated net position in the Statement of Net Position for net pension liability and deferred outflows related to pensions incurred in prior years, as follows:

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Net position as of June 30, 2014 as previously reported	\$ 29,704,394	\$ 31,702,967	\$ 61,407,361
Cumulative effect of restatement for net pension liability and deferred outflows related to pensions	<u>586,683</u>	<u>274,186</u>	<u>860,869</u>
Net position as of June 30, 2014 as restated	<u>\$ 29,117,711</u>	<u>\$ 31,428,781</u>	<u>\$ 60,546,492</u>

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, is effective for reporting periods ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Town does not foresee any impact from this pronouncement.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, is effective for the Town for the year ending June 30, 2015, to be applied simultaneously with the provisions of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

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, 2015, and reported at fair value, are as follows:

Type	Moody's Rating	Maturities	Carrying Value
<b>Deposits</b>			
Deposits			\$ 6,837,464
Cash on hand			350
Certificates of deposit		December 12, 2015 to April 6, 2020	5,944,452
			<u>12,782,266</u>
<b>Investments</b>			
U. S. Government Agency securities	Aaa	December 14, 2015	2,218,044
Money market funds	Aaa	Weighted Avg. Maturity 42 days	102,149
			<u>2,320,193</u>
			<u>\$15,102,459</u>
<b>Reconciliation to Statement of Net Position</b>			
Cash and equivalents			\$ 6,837,814
Investments			8,264,645
<b>Total deposits and investments</b>			<u><u>\$15,102,459</u></u>

Custodial Credit Risk

At June 30, 2015, the carrying amount of the Town's cash deposits was \$6,837,464 and the bank balance was \$6,919,746. Of the bank balances, \$250,000 was covered by federal depository insurance, and the balance of \$6,669,746 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 \$5,787,370 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.

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, 2015 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.

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

NOTE B – CASH AND INVESTMENTS (CONTINUED)

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, 2015, \$102,149 was invested in the money market fund. All other investments were in U. S. Government Agency securities held in the Town's name.

NOTE C – PROPERTY TAXES

Property taxes attach an enforceable lien on property as of July 1<sup>st</sup>. Taxes are levied on July 1<sup>st</sup> and are payable without interest by October 1<sup>st</sup>. Beginning October 1<sup>st</sup>, 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, 2015 were 16.95¢ per \$100 of assessed value for real property and 42.0¢ per \$100 of assessed value for business personal property.

NOTE D – RECEIVABLES

Receivables at June 30, 2015 of the Town's governmental and enterprise funds are as follows:

	Governmental Funds	Enterprise Funds	Total
Taxes receivable	\$62,158	\$ --	\$62,158
Accounts receivable	60,695	12,036	72,731
Unbilled service charges	--	617,051	617,051
Intergovernmental receivables:			
Highway taxes	19,598	--	19,598
Admission and amusement taxes	4,743	--	4,743
Business licenses	2,688	--	2,688
Total	\$149,882	\$629,087	\$778,969

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

NOTE E – CAPITAL ASSETS

Changes in Capital Assets

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

*Governmental Activities Capital Assets:*

	Balance at July 1, 2014	Additions	Net Transfers and Retirements	Balance at June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 1,056,637	\$ --	\$ --	\$ 1,056,637
Construction in progress	1,121,212	241,019	--	1,362,231
Total capital assets, not being depreciated	<u>2,177,849</u>	<u>241,019</u>	<u>--</u>	<u>2,418,868</u>
Capital assets, being depreciated:				
Buildings and improvements	4,043,383	23,426	--	4,066,809
Equipment	1,080,222	350,551	(139,428)	1,291,345
Streets, roads and storm drains	31,834,626	492,088	--	32,326,714
Park equipment	1,269,870	286,306	(16,599)	1,539,577
Total capital assets, being depreciated	<u>38,228,101</u>	<u>1,152,371</u>	<u>(156,027)</u>	<u>39,224,445</u>
Less accumulated depreciation for:				
Buildings and improvements	656,359	81,443	--	737,802
Equipment	612,252	71,873	(106,317)	577,808
Streets, roads and storm drains	15,230,844	1,138,482	--	16,369,326
Park equipment	678,211	48,589	(8,580)	718,220
Total accumulated depreciation	<u>17,177,666</u>	<u>1,340,387</u>	<u>(114,897)</u>	<u>18,403,156</u>
Total capital assets, being depreciated, net	<u>21,050,435</u>	<u>(188,016)</u>	<u>41,130</u>	<u>20,821,289</u>
Governmental activities capital assets, net	<u>\$23,228,284</u>	<u>\$ 53,003</u>	<u>\$ (41,130)</u>	<u>\$23,240,157</u>

*Business-type Activities Capital Assets:*

	Balance at July 1, 2014	Additions	Net Transfers and Retirements	Balance at June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 1,404,938	\$ --	\$ --	\$ 1,404,938
Construction in progress	4,048,554	849,176	--	4,897,730
Total capital assets, not being depreciated	<u>5,453,492</u>	<u>849,176</u>	<u>--</u>	<u>6,302,668</u>
Capital assets, being depreciated:				
Machinery and equipment	914,222	--	166,285	1,080,507
Sewer system	21,227,447	--	37,688	21,265,135
Water distribution system	17,624,575	--	--	17,624,575
Total capital assets, being depreciated	<u>39,766,245</u>	<u>--</u>	<u>203,973</u>	<u>39,970,217</u>
Less accumulated depreciation for:				
Machinery and equipment	659,947	68,632	(35,899)	692,680
Sewer system	7,550,408	549,488	--	8,099,896
Water distribution system	6,403,690	459,212	--	6,862,902
Total accumulated depreciation	<u>14,614,045</u>	<u>1,077,332</u>	<u>(35,899)</u>	<u>15,655,478</u>
Total capital assets, being depreciated, net	<u>25,152,200</u>	<u>(1,077,332)</u>	<u>168,074</u>	<u>24,314,739</u>
Business-type activities capital assets, net	<u>\$30,605,692</u>	<u>\$ (228,156)</u>	<u>\$ 168,074</u>	<u>\$30,617,407</u>

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

NOTE E – CAPITAL ASSETS (CONTINUED)

Depreciation Expense

Depreciation expense was charged to functions/programs of the Town for the year ended June 30, 2015 as follows:

*Governmental Activities:*

General government	\$ 84,058
Waste collection	346
Parks and recreation	48,589
Streets and roads	<u>1,207,394</u>
Total	<u>\$1,340,387</u>

*Business-type Activities:*

Water and sewer	<u>\$1,077,332</u>
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Capital Commitments

At June 30, 2015, the outstanding commitments relating to projects of the Town amount to approximately \$102,000 for governmental activities for building projects, storm drain and streetscape projects, and park projects, of which \$44,960 has been spent to date; and \$5,500,000 for business-type activities, including water line replacement and water station improvements, of which \$4,684,720 has been spent to date.

NOTE F – LONG-TERM DEBT

The Town's long-term debt at June 30, 2015 consisted of the following:

*Business-type Activities:*

Description	Due	Rate	Balance July 1, 2014	Issued	Retired	Balance June 30, 2015	Due Within One Year
Infrastructure Bonds 2012							
Refunding	2032	0.61 - 3.42%	\$1,523,800	\$ --	\$71,000	\$1,452,800	\$ 71,500
Infrastructure Bonds 2012	2032	0.61 - 3.42%	3,270,597	677,742	228,000	3,720,339	230,500
Note payable							
Maryland Dept of Environment Loan	2019	3.24%	1,101,156	--	206,415	894,741	213,103
Total long-term debt			<u>\$5,895,553</u>	<u>\$677,742</u>	<u>\$505,415</u>	<u>\$6,067,880</u>	<u>\$515,103</u>

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

NOTE F – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding as of June 30, 2015 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2016	\$ 515,103	\$ 204,804	\$ 719,907
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 – 2025	1,712,400	618,419	2,330,819
2026 – 2030	1,967,000	369,363	2,336,363
2031 – 2032	881,000	51,935	932,935
Total	<u>\$7,008,041</u>	<u>\$1,938,281</u>	<u>\$8,946,322</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, 2015, the Town had requisitioned \$4,399,270, however, the total principal repayment of \$5,339,431 has been reflected in the annual requirements above. The remaining balance of \$940,161 will be drawn during the fiscal year ending June 30, 2016.

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, 2015 ended were \$220,882, of which \$121,203 was capitalized.

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.

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."

There were no due to/from other funds balances at June 30, 2015.

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

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, disability, and death 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.

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.

*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 9.73% of covered payroll. The Town's contributions for the years ended June 30, 2015, 2014, and 2013 were \$122,411, \$116,396 and \$100,528, respectively.

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

NOTE H – PENSION PLAN (CONTINUED)

General Information about the Pension Plan (continued)

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

At June 30, 2015, the Town reported a liability of \$886,407 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date using the entry age normal actuarial cost method. At June 30, 2014, the Town's proportion was 0.00499%. Actual employer contributions billed to participating government units for the year ended June 30, 2014 were used as the basis for determining each employer's proportionate share.

For the year ended June 30, 2015, the Town recognized pension expense of \$122,801. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 12,823	\$ -
Net difference between projected and actual investment earnings in pension plan investments	-	97,023
Town contributions subsequent to the measurement date	<u>122,411</u>	<u>-</u>
Total	<u>\$ 135,234</u>	<u>\$ 97,023</u>

\$122,411 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, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2016	\$ (21,050)
2017	(21,050)
2018	(21,050)
2019	<u>(21,050)</u>
Total	<u>\$ (84,200)</u>

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

NOTE H – PENSION PLAN (CONTINUED)

General Information about the Pension Plan (continued)

*Actuarial Assumptions*

The key actuarial assumptions used to perform the June 30, 2014 pension liability calculation are as follows:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.90% general, 3.4% wage
Salary Increases	3.40% to 11.9%, including inflation
Discount Rate	7.65%
Investment Rate of Return	7.65%
Mortality	RP-2000 Combined Healthy Mortality Table projected to the year 2025

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%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	1%	1.40%
Total	<u>100%</u>	

*Discount Rate*

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

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

NOTE H – PENSION PLAN (CONTINUED)

General Information about the Pension Plan (continued)

*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 7.65%, 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 (6.65%) or 1% higher (8.65%) than the current rate:

	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
Town’s proportionate share of the net pension liability	\$1,277,424	\$886,407	\$558,881

*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.

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.

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

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

Funding Policy

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

An actuarial valuation was performed as of July 1, 2012 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 <u>June 30, 2015</u>
Annual required contribution	\$156,000
Interest on net OPEB obligation	18,000
Adjustment to annual required contribution	<u>(30,000)</u>
Annual OPEB cost (expense)	144,000
Contributions made	<u>(10,053)</u>
Increase in net OPEB obligation	133,947
Net OPEB obligation – beginning of year	<u>539,379</u>
 Net OPEB obligation – end of year	 <u><u>\$673,327</u></u>

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, 2013	\$129,000	9%	\$413,428
June 30, 2014	\$135,000	7%	\$539,379
June 30, 2015	\$144,000	7%	\$673,327

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

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

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. As of July 1, 2014, the unfunded actuarial accrued liability (UAAL) was \$1,253,000. As of July 1, 2014, the covered payroll (annual payroll of active employees covered by the plan) was \$1,309,533 and the ratio of the UAAL to the covered payroll was 95.68%.

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, 2012 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 8.0% initially, gradually decreasing over time. By 2030, the rate of increase is 5.7%, and by 2050 5.0%. 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, 2012).

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 \$317,827 for employee insurance benefits for the year ended June 30, 2015. 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.

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

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, 2015, 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, 2015 the Town paid premiums of \$56,919 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:

Nonspendable:	
Prepaid items	\$ 75,018
Committed to:	
Parks fee-in-lieu	131,711
Center Street improvements	63,625
Total committed	195,336
Assigned to:	
Capital improvements	3,958,788
Future land acquisition	314,496
Office and building improvements	49,431
Park reserve	406,300
Sidewalk improvements	6,621
Street and road repair	793,419
Truck and equipment replacement	121,495
Total assigned	5,650,550
Unassigned	955,467
Total fund balances	\$6,876,371

**TOWN OF MOUNT AIRY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

NOTE L – FUND BALANCE AND NET POSITION (CONTINUED)

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, 2015 was \$6,835,891 designated as follows:

Water system expansion	\$ 701,292
Well system expansion	1,156,345
Well system capital improvement	433,142
Sewerage system reserve	9,206
Treatment plant expansion	<u>2,998,997</u>
Total designated	5,298,982
Undesignated	<u>1,536,909</u>
Unrestricted net position	<u><u>\$6,835,891</u></u>

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, 2015, was \$48,035, 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, 2015, are as follows:

Year Ending	Amount
June 30	
2016	\$ 42,459
2017	43,732
2018	45,044
2019	46,396
2020	<u>47,787</u>
Total	<u><u>\$225,418</u></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 <u>June 30, 2015</u>
Town's proportion of the net pension liability	0.00499%
Town's proportionate share of the net pension liability	\$ 886,407
Town's covered-employee payroll	\$ 1,163,955
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	76.155%
Plan fiduciary net position as a percentage of the total pension liability	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,	
	2015	2014
Contractually required contribution	\$ 122,411	\$ 116,396
Contributions in relation to the contractually required contribution	122,411	116,396
Contribution deficiency (excess)	\$ -	\$ -
Town's covered-employee payroll	\$ 1,258,076	\$ 1,163,955
Contributions as a percentage of covered-employee payroll	9.73%	10.00%

**TOWN OF MOUNT AIRY, MARYLAND**  
**SCHEDULE OF FUNDING PROGRESS**  
**OTHER POSTEMPLOYMENT BENEFITS - HEALTH CARE**  
**For the Year Ended June 30, 2015**

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, 2012	--	\$1,063,000	\$1,063,000	0.00%	\$1,254,313	84.75%
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%

**TOWN OF MOUNT AIRY, MARYLAND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2015**

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Taxes:			
Real property taxes	\$ 1,700,000	\$ 1,716,702	\$ 16,702
Personal property tax:			
Railroad and public utility	22,250	22,642	392
Ordinary business corporations	114,000	106,953	(7,047)
Penalties and interest	-	14,579	14,579
Income taxes	1,428,000	1,378,433	(49,567)
Admissions and amusement taxes	10,000	39,668	29,668
Highway taxes	296,500	297,593	1,093
Total taxes	<u>3,570,750</u>	<u>3,576,570</u>	<u>5,820</u>
Licenses and permits:			
Alcoholic beverage	7,050	5,363	(1,687)
Traders' licenses	25,000	23,027	(1,973)
Cable and video licenses	86,300	105,759	19,459
Total licenses and permits	<u>118,350</u>	<u>134,149</u>	<u>15,799</u>
Intergovernmental:			
State grants	320,249	320,249	-
County grants	989,066	664,634	(324,432)
Police protection	87,000	87,519	519
Financial corporation	86	86	-
Total intergovernmental	<u>1,396,401</u>	<u>1,072,488</u>	<u>(323,913)</u>
Fees and fines:			
Zoning and subdivision fees	35,600	16,624	(18,976)
Developer inspection fees	20,000	13,769	(6,231)
Parking citations and restitution	1,800	900	(900)
Code enforcement/property maintenance	-	6,850	6,850
Park fees	4,400	4,035	(365)
Skate park fees	4,000	4,680	680
Total fees and fines	<u>65,800</u>	<u>46,858</u>	<u>(18,942)</u>
Capital improvement assessments	104,000	65,000	(39,000)
Interest and other investment income	25,000	19,348	(5,652)
Miscellaneous	12,900	17,762	4,862
Total Revenues	<u>\$ 5,293,201</u>	<u>\$ 4,932,175</u>	<u>\$ (361,026)</u>

**TOWN OF MOUNT AIRY, MARYLAND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Expenditures:			
General government:			
Salaries	\$ 436,500	\$ 428,287	\$ 8,213
Audit	21,945	21,945	-
Legal	118,600	118,581	19
Insurance: General	44,105	42,521	1,584
Office	28,900	27,759	1,141
Utilities	21,660	27,116	(5,456)
Repairs and maintenance	32,780	34,467	(1,687)
Computer maintenance	45,315	50,990	(5,675)
Dues, meetings and conventions	25,550	27,414	(1,864)
Telephone	14,000	14,838	(838)
Town codification	6,400	7,609	(1,209)
Other	37,573	38,844	(1,271)
Total general government	<u>833,328</u>	<u>840,371</u>	<u>(7,043)</u>
Planning and zoning:			
Salaries	188,500	188,769	(269)
Legal	35,000	10,361	24,639
Consultant fees	-	551	(551)
Advertising	4,100	853	3,247
Travel	600	-	600
Administration	49,863	40,929	8,934
Total planning and zoning	<u>278,063</u>	<u>241,463</u>	<u>36,600</u>
Public safety:			
Resident Trooper Program	806,236	806,237	(1)
Contribution to volunteer fire company	170,000	170,000	-
Emergency preparedness	500	-	500
Other	13,500	6,492	7,008
Total public safety	<u>990,236</u>	<u>982,729</u>	<u>7,507</u>

**TOWN OF MOUNT AIRY, MARYLAND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2015**  
(Continued)

	Budget	Actual	Variance - Favorable (Unfavorable)
<b>Streets and roads:</b>			
Salaries	133,000	133,488	(488)
Maintenance	73,000	57,546	15,454
Snow removal	82,000	117,327	(35,327)
Automotive	6,800	6,506	294
Fuel	18,000	14,752	3,248
Street lighting	160,000	159,165	835
Other	23,150	14,044	9,106
<b>Total streets and roads</b>	<b>495,950</b>	<b>502,828</b>	<b>(6,878)</b>
<b>Waste collection:</b>			
Sanitation collection	254,271	252,162	2,109
Landfill fees	145,200	132,825	12,375
Sanitation and recycling education	500	-	500
Other	3,500	743	2,757
<b>Total waste collection</b>	<b>403,471</b>	<b>385,730</b>	<b>17,741</b>
<b>Parks and recreation:</b>			
Salaries	129,000	127,686	1,314
Maintenance	17,900	6,800	11,100
Utilities	3,500	4,894	(1,394)
Fuel	18,000	14,752	3,248
Automotive	4,750	1,321	3,429
Recreation and culture	7,000	7,435	(435)
Sanitary facilities	2,500	2,465	35
Beautification program	15,521	14,146	1,375
Skate park	5,500	4,529	971
Other	10,100	13,612	(3,512)
<b>Total parks and recreation</b>	<b>213,771</b>	<b>197,640</b>	<b>16,131</b>
<b>Economic development:</b>			
Downtown revitalization	19,500	13,606	5,894
Other	8,800	10,844	(2,044)
<b>Total economic development</b>	<b>28,300</b>	<b>24,450</b>	<b>3,850</b>

**TOWN OF MOUNT AIRY, MARYLAND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2015**  
*(Continued)*

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Miscellaneous:			
Insurance: Medical and life	215,072	208,126	6,946
Payroll taxes	68,000	68,947	(947)
Retirement	88,000	85,648	2,352
Contingencies	4,000	(348)	4,348
	<u>375,072</u>	<u>362,373</u>	<u>12,699</u>
Capital expenditures:			
General government	156,300	160,425	(4,125)
Streets and roads	903,000	820,701	82,299
Parks and recreation	953,834	375,810	578,024
	<u>2,013,134</u>	<u>1,356,936</u>	<u>656,198</u>
Total Expenditures	<u>\$ 5,631,325</u>	<u>\$ 4,894,520</u>	<u>\$ 736,805</u>

**TOWN OF MOUNT AIRY, MARYLAND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**WATER AND SEWER FUND**  
**For the Year Ended June 30, 2015**

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Sewer system:			
Service charges	\$ 1,100,000	\$ 1,042,383	\$ (57,617)
Connection charges	37,400	20,400	(17,000)
Expansion fund charges	35,100	25,000	(10,100)
Total sewer system revenues	1,172,500	1,087,783	(84,717)
Water service:			
Service charges	1,210,000	1,175,778	(34,222)
Connection charges	37,400	20,400	(17,000)
Expansion fund charges	47,000	33,092	(13,908)
Total water service revenues	1,294,400	1,229,270	(65,130)
Well system:			
Exploration and development fees	31,500	18,000	(13,500)
Other revenues:			
Interest and other investment income	47,000	46,968	(32)
Benefit charge	228,000	228,842	842
Capital improvement assessments	32,000	25,612	(6,388)
Developer inspection fees	20,000	13,769	(6,231)
Penalties	11,900	10,491	(1,409)
State grants	-	36,000	36,000
Water tower revenue	48,081	48,035	(46)
Miscellaneous	28,200	19,168	(9,032)
Total other revenues	415,181	428,885	13,704
Total Revenues	\$ 2,913,581	\$ 2,763,938	\$ (149,643)

**TOWN OF MOUNT AIRY, MARYLAND**  
**SCHEDULE OF EXPENSES - BUDGET AND ACTUAL**  
**WATER AND SEWER FUND**  
**For the Year Ended June 30, 2015**

	Budget	Actual	Variance - Favorable (Unfavorable)
Expenses:			
Sewer system:			
Salaries	\$ 236,000	\$ 231,698	\$ 4,302
Chemicals and supplies	138,000	102,664	35,336
Electricity	149,600	153,200	(3,600)
Maintenance and repairs	119,350	115,676	3,674
Fuel	14,500	10,676	3,824
Other	203,720	182,575	21,145
Total sewer system expenses	<u>861,170</u>	<u>796,489</u>	<u>64,681</u>
Water service:			
Salaries	236,000	231,698	4,302
Chemicals and supplies	65,000	54,886	10,114
Electricity	84,000	86,234	(2,234)
Maintenance and repairs	62,000	57,902	4,098
Fuel	14,500	10,606	3,894
Other	28,481	26,163	2,318
Total water service expenses	<u>489,981</u>	<u>467,489</u>	<u>22,492</u>
Administrative and other expenses:			
Audit	17,955	17,955	-
Legal	10,000	1,547	8,453
Insurance: General	43,000	43,895	(895)
Insurance: Medical and life	134,000	119,754	14,246
Other postemployment benefits	-	43,955	(43,955)
Payroll taxes	36,500	36,598	(98)
Retirement	48,000	37,153	10,847
Motor vehicle	6,000	6,958	(958)
Computer maintenance	13,405	17,853	(4,448)
Office	17,400	16,938	462
Telephone	16,300	18,863	(2,563)
Certification and training	4,000	3,025	975
Bond interest	214,661	93,458	121,203
Depreciation	-	1,077,332	(1,077,332)
Loss on disposal of capital assets	-	(187)	187
Other	10,670	8,226	2,444
Total administrative and other expenses	<u>571,891</u>	<u>1,543,323</u>	<u>(971,432)</u>
Total Expenses	<u>\$ 1,923,042</u>	<u>\$ 2,807,301</u>	<u>\$ (884,259)</u>