

SECONDARY MARKET DISCLOSURE

Community Development Administration Maryland Department of Housing and Community Development Local Government Infrastructure Finance Program

The following financial information is being provided by the Community Development Administration (“the Administration”), a unit in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland (“the Department”).

NOTE: On April 3rd, 2018 the Administration was able to obtain the FY-2017 Uniform Financial Report (“UFR”) and FY-2017 audited financial statements for the Town of Indian Head, Maryland. This information is attached for reference/use.

Questions concerning this release should be directed to Investor Relations at (301) 429-7898, or cdabonds_mailbox.dhcd@maryland.gov.

The Administration

Annual Information. The Administration has agreed, in accordance with the provisions of Rule 15c2-12 (the “Rule”), adopted by the Securities and Exchange Commission (the “Commission”) under the Securities and Exchange Act of 1934, as amended, to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (the “MSRB”) (formerly to each nationally recognized municipal securities information repository and to the appropriate state information depository, if any) in an electronic format as prescribed by the MSRB, when and if available, but in any event within nine months after the end of each fiscal year of the Administration, the following annual financial information and operating data (the “Annual Information”):

1. a copy of the annual financial statements of the Administration’s Local Government Infrastructure Bonds (MBIA Insured) prepared in accordance with generally accepted accounting principles and audited by a certified public accountant;
2. a copy of the annual financial statement of each Local Government having, as of the end of such fiscal year, an aggregate outstanding unpaid principal balance of Infrastructure Loans under the Program equal to or greater than 10% of the outstanding principal amount of all Infrastructure Loans financed under the Program (and, if such Infrastructure Loans are guaranteed by a County or Municipality, the annual financial statement of the County or Municipality), prepared and audited in accordance with law (which currently requires that such statements be prepared in accordance with generally accepted accounting principles and audited by a certified public accountant); and
3. an update of the financial information in this Official Statement contained in Appendix C - “LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS” for each Local Government meeting the criteria described in paragraph 2 immediately above.

The Administration may, at its option, satisfy the foregoing obligations by either: (i) providing an official statement for one or more Series of Bonds or by specific reference, in accordance with the Rule, to one or more official statements provided previously, or (ii) to the extent permitted by the Rule, by

filing (or requiring Local Governments to file) and incorporating by reference the annual audited financial statements of, or the Uniform Financial Report (Forms F-65(MD-2) or F-65(MD-2A) or any substitute or successor reports) prepared and filed with the Maryland State Department of Legislative Services by, in either case, each County or Municipality receiving an Infrastructure Loan (or guaranteeing an Infrastructure Loan to one of its agencies or instrumentalities) made from the proceeds of the Series B Bonds that meets the requirements of paragraph 2 above, for so long as the Infrastructure Loan is outstanding. The Administration may, at its option, but is not obligated to, provide information about other Local Governments receiving an Infrastructure Loan or guaranteeing an Infrastructure Loan to one of its agencies or instrumentalities. See Appendix C - "LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS - Financial Information of Local Governments" for a description of the Uniform Financial Report.

The Administration is under no obligation to provide any financial information with respect to MBIA; owners of the Bonds must obtain this information from MBIA or other sources. See the heading "BOND INSURANCE - The Insurer" in this Official Statement for the current address from which information about MBIA may be obtained.

Financial Information of Local Governments

Each County, Municipality, and special district in the State is required (i) to maintain the uniform system of financial reporting provided by the State's Department of Legislative Services; (ii) pursuant to Article 19, §40 of the Annotated Code of Maryland, to have its books, accounts, records and reports examined at least once each fiscal year by a certified public accountant and to file a copy of the audit report with the Legislative Auditor, and (iii) pursuant to Article 19 §37 of the Annotated Code of Maryland, to file with the State Department of Legislative Services not later than November 1 of each year the Uniform Financial Report (Forms F-65(MD-2) or F-65(MD-2A)) for the fiscal year ending on the immediately preceding June 30. The State Department of Legislative Services extracts information from the Uniform Financial Reports and publishes such information annually in a report to the Governor and General Assembly of Maryland.

The Uniform Financial Reports and the annual report of the Department of Legislative Services are available for public inspection in the offices of the Department of Legislative Services, 90 State Circle, Annapolis, Maryland. Copies of the Uniform Financial Reports or the annual report of the Department of Legislative Services may be obtained by writing to the State Department of Legislative Services, 90 State Circle, Room 226, Annapolis, Maryland 21401, or by calling (410) 946-5030.

The following information on each Local Government which will receive an Infrastructure Loan from the proceeds of the Bonds, combines data extracted from the Uniform Financial Reports and data submitted by each Local Government. This information has been certified by each Local Government as to its accuracy. This information does not represent all of the information contained in the Uniform Financial Reports, which are available as noted in the preceding paragraph. The Administration has not verified the information on the following pages and makes no representation as to the accuracy or completeness thereof or the financial condition of any Local Government, County, or Municipality (if any) guaranteeing the Local Obligations of its agency or instrumentality described in this Appendix.

NOTE: On April 3rd, 2018 the Administration was able to obtain the FY-2017 Uniform Financial Report ("UFR") and FY-2017 audited financial statements for the Town of Indian Head, Maryland. This information is attached for reference/use.

Jurisdiction description and location: The Town of Indian Head, Maryland is located in Charles County. It is located south of Washington, DC between the Potomac River and Mattawoman Creek.

Population: 3,827 (July 2016 est.)

The following General Fund Information is as of June 30, of the applicable fiscal year. All amounts shown below are in dollars.

Revenues:

	Total Local Taxes	Total Licenses & Permits	Total Intergovernmental Revenues	Total Service Charges	Total Fines & Forfeitures	Total Misc.	Long Term Debt Proceeds	Total Revenues
2017	\$1,155,693	\$56,278	\$415,589	\$34,540	\$0	\$35,756	\$0	\$1,697,856
2016	\$1,069,768	\$53,343	\$163,035	\$37,663	\$0	\$31,852	\$0	\$1,355,661
2015	\$1,032,730	\$51,883	\$125,379	\$22,076	\$127	\$27,582	\$0	\$1,259,777
2014	\$1,146,363	\$49,464	\$122,938	\$35,009	\$0	\$12,918	\$0	\$1,366,692
2013	\$1,166,779	\$50,941	\$128,406	\$18,488	\$0	\$9,263	\$0	\$1,373,877

Expenditures:

	Total General Govt.	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Economic Dev. & Opportunity	Total Debt Service	Total Miscellaneous	Total Expenditures
2017	\$911,026	\$73,358	\$405,758	\$126,987	\$0	\$0	\$0	\$0	\$1,517,129
2016	\$639,913	\$105,865	\$393,260	\$117,087	\$0	\$0	\$0	\$0	\$1,256,125
2015	\$622,000	\$117,781	\$321,571	\$15,112	\$80,094	\$0	\$0	\$0	\$1,156,558
2014	\$620,226	\$122,865	\$606,901	\$24,030	\$0	\$77,501	\$0	\$0	\$1,451,523
2013	\$559,475	\$94,582	\$379,444	\$18,482	\$0	\$74,982	\$0	\$0	\$1,126,965

Assets & Liabilities:

	2017	2016	2015	2014	2013
Cash and Investments	\$424,332	\$566,212	\$468,691	\$300,696	\$717,087
Total Assets	\$1,259,342	\$1,150,763	\$1,029,982	\$1,139,314	\$1,399,402
Total Liabilities	\$136,187	\$192,154	\$120,451	\$113,644	\$97,264
Investment in general fixed assets	\$0	\$0	\$0	\$0	\$0
Fund balances Unreserved / Unassigned Fund Balances	\$1,123,155	\$958,609	\$909,531	\$1,025,670	\$1,302,138

Property Taxes and Taxes Receivable: Real Property

	Total assessed Value of Real Property	General tax rate/\$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2017	\$233,892,238	0.300	\$701,677	\$695,837	\$5,840
2016	\$233,634,000	0.300	\$700,902	\$694,916	\$5,986
2015	\$232,198,331	0.300	\$696,595	\$691,990	\$4,605
2014	\$275,055,978	0.300	\$825,168	\$818,790	\$6,378
2013	\$276,337,379	0.300	\$829,012	\$824,085	\$4,927

Indian Head cont.**Property Taxes and Taxes Receivable: Personal Property**

	Total assessed Value of Railroads & Public Utilities Property	General tax rate/\$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2017	\$298,610	0.80	\$2,389	\$1,767	\$622
2016	\$206,410	0.80	\$1,651	\$1,651	\$0
2015	\$263,210	0.80	\$2,106	\$2,106	\$0
2014	\$323,589	0.80	\$2,589	\$2,391	\$198
2013	\$2,135,720	0.80	\$17,086	\$15,920	\$1,166

Property Taxes and Taxes Receivable: Railroads & Public Utilities Property

	Total assessed Value of Railroads & Public Utilities Property	General tax rate/\$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2017	\$1,689,020	0.80	\$13,512	\$13,512	\$0
2016	\$1,412,370	0.80	\$11,299	\$11,299	\$0
2015	\$1,529,710	0.80	\$12,238	\$12,233	\$5
2014	\$1,680,810	0.80	\$13,446	\$12,081	\$1,365
2013	\$1,448,660	0.80	\$11,589	\$11,589	\$0


TOWN OF INDIAN HEAD, MARYLAND
Indian Head, Maryland

FINANCIAL STATEMENTS

For The Year Ended June 30, 2017

BRIDGETT
MOCK

& ASSOCIATES, P.A.
Certified Public Accountants



TOWN OF INDIAN HEAD, MARYLAND
 For The Year Ended June 30, 2017
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BRIDGETT

MOCK

& ASSOCIATES, P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Town Council
Town of Indian Head, Maryland
Indian Head, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Indian Head, Maryland, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Indian Head, Maryland, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 40-45 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018, on our consideration of the Town of Indian Head, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Indian Head, Maryland's internal control over financial reporting and compliance.

Bridgett, Mock & Associates, P.A.

Waldorf, Maryland
March 30, 2018

TOWN OF INDIAN HEAD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial report of the Town of Indian Head, Maryland presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017 (FY 2017). We encourage readers to use the information in conjunction with the basic financial statements, which immediately follow this section and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded liabilities at the close of the fiscal year by \$17,071,533 (*net position*). Of this amount, \$1,165,667 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.

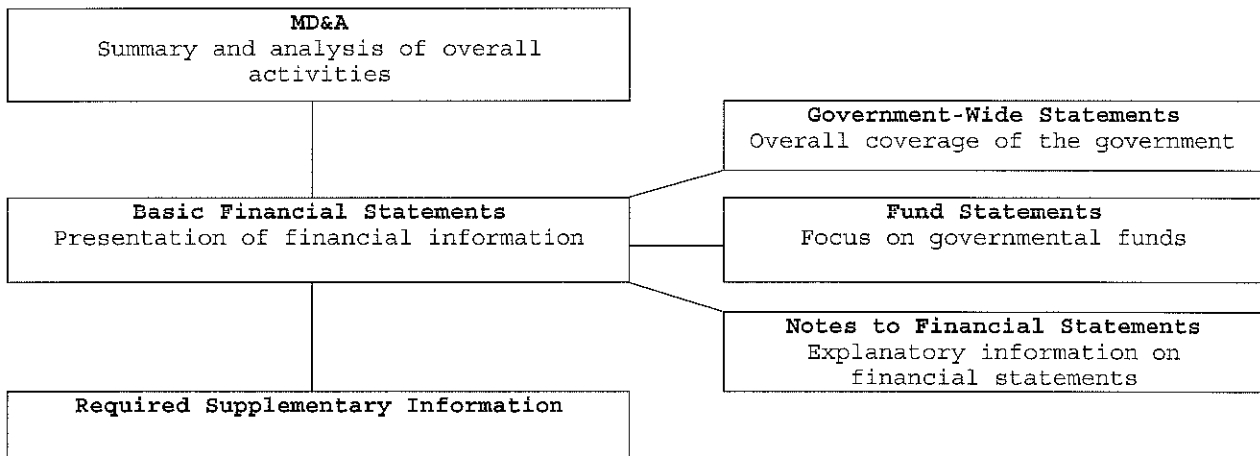
 - The Town's total net position decreased by \$664,327 compared with the prior fiscal year. Of this amount, an increase of \$18,352 was associated with governmental activities and a decrease of \$682,679 with business-type activities.

 - At the close of FY 2017, the Town's governmental funds reported a fund balance of \$1,604,083, an increase of \$164,758 from June 30, 2016.
-

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the Town of Indian Head, Maryland's basic financial statements. The Town's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves. The diagram below illustrates how each element of the statements can be used to enhance the overall understanding of the information presented.

FINANCIAL STATEMENT PRESENTATION



Government-Wide Financial Statements (reporting on the Town as a whole)

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Indian Head, Maryland's finances, in a manner similar to that of a private-sector business. The *Statement of Net Position* and *Statement of Activities* are prepared using the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the Town's assets, deferred outflow of resources, liabilities, and deferred inflow of resources. The total of assets plus deferred outflow of resources less liabilities and deferred inflow of resources equals net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements include only the operations of the Town of Indian Head, Maryland (known as the "primary government"). The Town has no component units which are reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 11 - 12 of this report.

Fund Financial Statements (reporting the Town's most significant funds)

A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town uses governmental and proprietary fund financial statements to provide more detailed information about the Town's four major funds: the general fund, the special revenue-parks fund, the waste fund, and the water and sewer fund.

- **Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balance* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund *Balance Sheet* and in the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balance* for the general fund and the special revenue - parks fund. The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

- **Proprietary Funds** include internal service funds and enterprise funds. An "internal service fund:" is an accounting device used to accumulate and allocate costs internally among the Town's various functions. "Enterprise funds" are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town does not maintain any internal service funds. The Town of Indian Head, Maryland uses enterprise funds to account for its waste activities and water and sewer activities. The proprietary fund financial statements can be found on pages 17 - 19 of this report.
- **Fiduciary Funds** are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. Fiduciary funds include four fund types - pension trust funds, investment trust funds, private-purpose trusts, and agency funds. The Town does not maintain any fiduciary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to creating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 38 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and disclosures that are not considered a part of the basic financial statements. The schedules included in this section are budgetary comparisons for the General Fund and the Special Revenue - Parks Fund to demonstrate compliance with the annually adopted budget. These schedules are located immediately following the notes to the financial statements and can be found on pages 40 - 45 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Assets, Liabilities and Changes in Net Position

Net position may serve over time as a useful indicator of government's financial position. In the Town of Indian Head, Maryland, total assets exceeded liabilities by \$17,071,533 at the close of FY 2017, as shown in the summary schedule of net position below.

Summary Schedule of Position

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2017	2016	2017	2016	2017	2016
Current and other						
assets	\$ 1,745,999	\$ 1,641,859	\$ 340,323	\$ 564,765	\$ 2,086,322	\$ 2,206,624
Capital assets	3,450,416	3,592,276	13,144,999	13,843,615	16,595,415	17,435,891
Total Assets	5,196,415	5,234,135	13,485,322	14,408,380	18,681,737	19,642,515
Long-term debt						
outstanding	74,517	69,836	1,329,437	1,544,482	1,403,954	1,614,318
Other liabilities	108,408	169,161	97,842	123,176	206,250	292,337
Total Liabilities	182,925	238,997	1,427,279	1,667,658	1,610,204	1,906,655
Net Position	\$ 5,013,490	\$ 4,995,138	\$ 12,058,043	\$ 12,740,722	\$ 17,071,533	\$ 17,735,860
Net investment in						
capital assets	\$ 3,450,416	\$ 3,592,276	\$ 11,865,515	\$ 12,342,261	\$ 15,315,931	\$ 15,934,537
Restricted	480,928	480,716	109,007	109,861	589,935	590,577
Unrestricted	1,082,146	922,146	83,521	288,600	1,165,667	1,210,746
Total Net Position	\$ 5,013,490	\$ 4,995,138	\$ 12,058,043	\$ 12,740,722	\$ 17,071,533	\$ 17,735,860

The Town has an investment in capital assets (e.g., land, construction in progress, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets, of \$15,315,931 at June 30, 2017. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves should not be used to liquidate these liabilities.

The following table indicates changes in net position for governmental and business-type activities:

Changes in Net Position for Governmental and Business-Type Activities

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 108,193	\$ 116,256	\$ 1,598,793	\$ 1,633,100	\$ 1,706,986	\$ 1,749,356
Grants	415,589	163,035	19,340	30,000	434,929	193,035
General revenues						
Taxes	1,155,828	1,075,456	-	-	1,155,828	1,075,456
Other	107,106	91,374	7,441	25,288	114,547	116,662
Total Revenues	<u>1,786,716</u>	<u>1,446,121</u>	<u>1,625,574</u>	<u>1,688,388</u>	<u>3,412,290</u>	<u>3,134,509</u>
Expenses						
General government	933,758	654,638	-	-	933,758	654,638
Public safety	73,395	105,780	-	-	73,395	105,780
Public works	406,493	407,874	2,308,253	2,350,631	2,714,746	2,758,505
Parks and recreation	214,415	209,975	-	-	214,415	209,975
Community affairs	140,303	136,693	-	-	140,303	136,693
Total Expenses	<u>1,768,364</u>	<u>1,514,960</u>	<u>2,308,253</u>	<u>2,350,631</u>	<u>4,076,617</u>	<u>3,865,591</u>
Decrease in net position	18,352	(68,839)	(682,679)	(662,243)	(664,327)	(731,082)
Net Position - beginning	4,995,138	5,063,977	12,740,722	13,991,695	17,735,860	19,055,672
Prior period adjustment	-	-	-	(588,730)	-	(588,730)
Net Position - beginning	<u>4,995,138</u>	<u>5,063,977</u>	<u>12,740,722</u>	<u>13,402,965</u>	<u>17,735,860</u>	<u>18,466,942</u>
Net Position - ending	<u>\$ 5,013,490</u>	<u>\$ 4,995,138</u>	<u>\$ 12,058,043</u>	<u>\$ 12,740,722</u>	<u>\$ 17,071,533</u>	<u>\$ 17,735,860</u>

Governmental Activities

To aid in the understanding of the *Statement of Activities*, some additional explanation is provided. Of particular interest is the format of this statement (see page 12). "Expenses" are listed in the first column with "Program Revenues" (revenues from that particular program) reported to the right under the categories "Charges for Services" and Operating Grants and Contributions". The result is "Change in Net Position" or net expenses less program revenues. 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 the function is self-supporting through fees and grants. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The Town has been implementing grant funded projects with funds awarded in recent years. The Town has also sought additional grant funds for projects to be carried out over the next two years. Additional funding will be needed to complete these projects. We have received funding from MDE, EPA, DHCD, DNR, and MDOT for water-sewer, parks, roads, and trail projects in the Town.

The Town has been able to begin generating funds in our parks and water-sewer budgets and is experiencing a rise in our assessable base. This will enable the Town to construct or renovate projects that will enhance the livability of the Town and to encourage the private sector to step forward in creating new businesses.

Trail Head Plaza, connector trail, picnic pavilion and restrooms on the Village Green, and the boardwalk on the Potomac are some of the projects currently being worked on or completed.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget as adopted for the general fund and parks fund was amended once during the year. The total general fund actual revenue of \$1,697,856 exceeded the budget amount of \$1,640,006 by \$57,850. The actual expenditures and other financing uses of \$1,533,310 were below the budget of \$1,623,006 by \$89,696. The parks fund budgeted \$38,317 as transfer in from the general fund, but the parks fund actually needed \$16,181 to help fund operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounted to \$16,595,415 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, infrastructure, equipment, and computer software. Capital assets summarized as follows, net of accumulated depreciation:

Summary Schedule of Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2017	2016	2017	2016	2017	2016
Construction in progress	\$ 515,402	\$ 504,033	\$ 19,340	\$ -	\$ 534,742	\$ 504,033
Land	1,531,744	1,531,744	-	-	1,531,744	1,531,744
Buildings	405,177	467,320	-	-	405,177	467,320
Improvements	576,774	626,865	-	-	576,774	626,865
Equipment	111,404	129,472	194,892	207,408	306,296	336,880
Computer software	-	5,710	-	-	-	5,710
Infrastructure	309,915	327,132	12,930,767	13,636,207	13,240,682	13,963,339
Total	<u>\$ 3,450,416</u>	<u>\$ 3,592,276</u>	<u>\$13,144,999</u>	<u>\$13,843,615</u>	<u>\$16,595,415</u>	<u>\$17,435,891</u>

Additional information on the Town's capital assets can be found in Note 6 on pages 33 - 34 of this report.

Long-Term Debt

As of June 30, 2017, the Town had total outstanding debt of \$1,403,954. The total debt for governmental activities consists of accrued compensated absences of \$74,517. The business-type activities' outstanding debt consists of \$1,279,484 of bonds payable and \$49,953 of accrued compensated absences. More detailed information can be found at Note 7 on pages 34 - 36 of this report.

Summary Schedule of Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2017	2016	2017	2016	2017	2016
General obligation bonds (backed by the Town) \$	-	\$ -	\$ 1,279,484	\$ 1,501,354	\$ 1,279,484	\$ 1,501,354
Accrued unused compensated absences	74,517	69,836	49,953	43,128	124,470	112,964
Total	<u>\$ 74,517</u>	<u>\$ 69,836</u>	<u>\$ 1,329,437</u>	<u>\$ 1,544,482</u>	<u>\$ 1,403,954</u>	<u>\$ 1,614,318</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Town has been upgrading public facilities, as well as infrastructure improvements, as part of a movement to encourage private development. A three-year \$11 plus million upgrade to the Town's waste water treatment plant is complete. Engineering studies are underway to improve our water-sewer distribution system.
- Boardwalk on the Potomac, which spans one-half mile, is expected to begin construction in Spring 2018. The funding source for this project is SHA and the Town.
- The general fund budget for fiscal year 2018 projects revenues to be increased over fiscal year 2017. The tax rates remain constant for real property and for personal property taxes.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town of Indian Head, Maryland's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning any information provided in this report should be addressed to:

Town Treasurer
Town of Indian Head
4195 Indian Head Highway
Indian Head, Maryland 20640

TOWN OF INDIAN HEAD, MARYLAND
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 1,154,117	\$ 192,143	\$ 1,346,260
Restricted cash	-	109,007	109,007
Receivables			
Taxes	33,846	-	33,846
Service fees	-	466,600	466,600
Front footage	-	9,030	9,030
Other	15,772	30,878	46,650
Prepaid expenses	-	7,907	7,907
Internal balances	494,582	(494,582)	-
Due from other governmental agencies	47,682	19,340	67,022
Capital assets			
Land	1,531,744	-	1,531,744
Construction in progress	515,402	19,340	534,742
Other capital assets, net of depreciation	1,403,270	13,125,659	14,528,929
Total Assets	\$ 5,196,415	\$ 13,485,322	\$ 18,681,737
LIABILITIES			
Accounts payable	\$ 88,867	\$ 89,385	\$ 178,252
Accrued wages payable	12,995	7,487	20,482
Deposits	6,546	-	6,546
Other liabilities	-	970	970
Long-term liabilities			
Due within one year	4,734	227,889	232,623
Due in more than one year	69,783	1,101,548	1,171,331
Total Liabilities	\$ 182,925	\$ 1,427,279	\$ 1,610,204
NET POSITION			
Net invested in capital assets	\$ 3,450,416	\$ 11,865,515	\$ 15,315,931
Restricted for			
Boardwalk development	480,928	-	480,928
Debt service	-	109,007	109,007
Unrestricted	1,082,146	83,521	1,165,667
Total Net Position	\$ 5,013,490	\$ 12,058,043	\$ 17,071,533

The accompanying notes are an integral part of these financial statements.

TOWN OF INDIAN HEAD, MARYLAND
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2017

Function/Programs	Expenses	Program Revenue			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 933,758	\$ 90,818	\$ -	278,200	\$ (564,740)	\$ -	\$ (564,740)
Public safety	73,395	-	-	-	(73,395)	-	(73,395)
Public works	406,493	-	123,389	-	(283,104)	-	(283,104)
Parks and recreation	214,415	17,375	-	-	(197,040)	-	(197,040)
Community affairs	140,303	-	14,000	-	(126,303)	-	(126,303)
Total Governmental Activities	1,768,364	108,193	137,389	278,200	(1,244,582)	-	(1,244,582)
Business-type activities							
Waste	610,165	571,180	-	-	-	(38,985)	(38,985)
Water and sewer	1,698,088	1,027,613	-	19,340	-	(651,135)	(651,135)
Total Business-Type Activities	2,308,253	1,598,793	-	19,340	-	(690,120)	(690,120)
Total Primary Government	\$ 4,076,617	\$ 1,706,986	\$ 137,389	\$ 297,540	(1,244,582)	(690,120)	(1,934,702)
General revenues							
Taxes							
Property taxes					722,720	-	722,720
Income taxes					417,148	-	417,148
Other taxes					15,960	-	15,960
Miscellaneous					107,106	7,441	114,547
Total General Revenues					1,262,934	7,441	1,270,375
Change in net position					18,352	(682,679)	(664,327)
Net position - beginning					4,995,138	12,740,722	17,735,860
Net position - ending					\$ 5,013,490	\$ 12,058,043	\$ 17,071,533

The accompanying notes are an integral part of these financial statements.

TOWN OF INDIAN HEAD, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Parks Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 424,332	\$ 729,785	\$ 1,154,117
Taxes receivable	33,846	-	33,846
Accounts receivable	15,772	-	15,772
Due from other funds	737,710	-	737,710
Due from other governments	47,682	-	47,682
Total Assets	\$ 1,259,342	\$ 729,785	\$ 1,989,127
LIABILITIES			
Accounts payable	\$ 84,438	\$ 4,429	\$ 88,867
Accrued wages payable	12,995	-	12,995
Deposits	5,245	1,300	6,545
Due to other funds	-	243,128	243,128
Total Liabilities	102,678	248,857	351,535
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue property taxes	33,509	-	33,509
Total Deferred Inflows Of Resources	33,509	-	33,509
FUND BALANCES			
Restricted			
For boardwalk improvements	-	480,928	480,928
Unassigned	1,123,155	-	1,123,155
Total Fund Balances	1,123,155	480,928	1,604,083
Total Liabilities, Deferred Inflows Of Resources And Fund Balances	\$ 1,259,342	\$ 729,785	\$ 1,989,127

The accompanying notes are an integral part of these financial statements.

TOWN OF INDIAN HEAD, MARYLAND
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2017

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 1,604,083

Amounts reported for governmental activities in the
Statement of Net Position are different because

Capital assets used in governmental activities are
not current financial resources and, therefore,
are not reported in this fund financial statement,
but are reported in the governmental activities
of the Statement of Net Position. 3,450,416

Certain other long-term assets are not available
to pay current period expenditures and, therefore,
are not reported in this fund financial statement
but are reported in the governmental activities
of the Statement of Net Position. (74,517)

Certain receivables are offset by unavailable
revenue in the governmental funds since they are
not available to pay for current-period
expenditures. This is the amount of deferred
inflows of resources. 33,508

NET POSITION OF GOVERNMENT ACTIVITIES IN THE STATEMENT
OF NET POSITION \$ 5,013,490

The accompanying notes are an integral part of these financial statements.

TOWN OF INDIAN HEAD, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2017

	General Fund	Parks Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,279,082	\$ -	\$ 1,279,082
Licenses and permits	5,917	-	5,917
Intergovernmental	292,200	-	292,200
Charges for services	84,901	17,375	102,276
Miscellaneous	35,756	71,350	107,106
Total Revenues	1,697,856	88,725	1,786,581
EXPENDITURES			
General government	911,026	-	911,026
Public safety	73,358	-	73,358
Public works	405,758	-	405,758
Parks and recreation	17,111	104,694	121,805
Community affairs	109,876	-	109,876
Total Expenditures	1,517,129	104,694	1,621,823
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	180,727	(15,969)	164,758
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(16,181)	16,181	-
NET CHANGE IN FUND BALANCE	164,546	212	164,758
FUND BALANCES - BEGINNING	958,609	480,716	1,439,325
FUND BALANCES - ENDING	\$ 1,123,155	\$ 480,928	\$ 1,604,083

The accompanying notes are an integral part of these financial statements.

TOWN OF INDIAN HEAD, 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, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 164,758
<p>Amounts reported for governmental activities in the Statement of Activities are different because</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense in the current period.</p>		
Capital outlays	32,981	
Depreciation	<u>(174,841)</u>	(141,860)
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.</p>		
		135
<p>Long-term accrued compensated absences not reflected in governmental funds.</p>		
		<u>(4,681)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 18,352</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF INDIAN HEAD, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Enterprise Funds		
	Waste	Water and Sewer	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 120,803	\$ 71,340	\$ 192,143
Restricted cash	-	109,007	109,007
Accounts receivable, net			
Service fees	159,107	307,493	466,600
Front footage	-	9,030	9,030
Other	-	30,878	30,878
Prepaid expenses	-	7,907	7,907
Due from other governmental agencies		19,340	19,340
Due from other funds	239,059	-	239,059
Total Current Assets	<u>518,969</u>	<u>554,995</u>	<u>1,073,964</u>
Noncurrent assets			
Capital assets			
Construction in Progress	-	19,340	19,340
Infrastructure	-	25,975,259	25,975,259
Equipment and furniture	478,255	812,269	1,290,524
Less: accumulated depreciation	(356,506)	(13,783,618)	(14,140,124)
Total Noncurrent Assets	<u>121,749</u>	<u>13,023,250</u>	<u>13,144,999</u>
Total Assets	<u>\$ 640,718</u>	<u>\$ 13,578,245</u>	<u>\$ 14,218,963</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 17,346	\$ 72,039	\$ 89,385
Salaries payable	5,358	2,129	7,487
Compensated absences	1,962	1,211	3,173
Interest payable	-	970	970
Bonds payable	-	224,716	224,716
Due to other funds	-	733,641	733,641
Total Current Liabilities	<u>24,666</u>	<u>1,034,706</u>	<u>1,059,372</u>
Noncurrent liabilities			
Compensated absences	28,920	17,860	46,780
Bonds payable	-	1,054,768	1,054,768
Total Noncurrent Liabilities	<u>28,920</u>	<u>1,072,628</u>	<u>1,101,548</u>
Total Liabilities	<u>\$ 53,586</u>	<u>\$ 2,107,334</u>	<u>\$ 2,160,920</u>
NET POSITION			
Net invested in capital assets	\$ 121,749	\$ 11,743,766	\$ 11,865,515
Restricted for debt service	-	109,007	109,007
Unrestricted	465,383	(381,862)	83,521
Total Net Position	<u>\$ 587,132</u>	<u>\$ 11,470,911</u>	<u>\$ 12,058,043</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF INDIAN HEAD, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2017

	Enterprise Funds		
	Waste	Water and Sewer	Total
REVENUES			
Charges for services	\$ 571,180	\$ 1,027,613	\$ 1,598,793
Grants	-	19,340	19,340
Total Operating Revenues	<u>571,180</u>	<u>1,046,953</u>	<u>1,618,133</u>
OPERATING EXPENSES			
Salaries	286,653	111,324	397,977
Fringe benefits	71,139	28,811	99,950
Depreciation	20,038	779,444	799,482
Repairs and maintenance	12,997	68,692	81,689
Water testing supplies & chemicals	-	114,134	114,134
Materials and supplies	5,224	24,712	29,936
Utilities	2,065	116,808	118,873
Gasoline, oil, and travel	13,115	1,998	15,113
Landfill	146,618	-	146,618
Professional fees	-	359,860	359,860
Sludge removal	-	24,255	24,255
Recycling	37,509	-	37,509
Insurance	2,272	24,181	26,453
Small equipment	-	3,642	3,642
Loss on assets disposals	-	9,468	9,468
Other	12,535	17,756	30,291
Total Operating Expenses	<u>610,165</u>	<u>1,685,085</u>	<u>2,295,250</u>
OPERATING INCOME (LOSS)	(38,985)	(638,132)	(677,117)
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	703	(439)	264
Other nonoperating revenues	-	7,177	7,177
Interest expense	-	(13,003)	(13,003)
Total Nonoperating Revenue (Expenses)	<u>703</u>	<u>(6,265)</u>	<u>(5,562)</u>
CHANGE IN NET POSITION	(38,282)	(644,397)	(682,679)
Total Net Position - Beginning	625,414	12,115,308	12,740,722
Total Net Position - Ending	<u>\$ 587,132</u>	<u>\$11,470,911</u>	<u>\$ 12,058,043</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF INDIAN HEAD, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2017

	Enterprise Funds		
	Waste	Water and Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 584,404	\$ 1,024,841	\$ 1,609,245
Payments to suppliers	(301,930)	(804,206)	(1,106,136)
Payments to employees	(290,592)	(112,971)	(403,563)
Net Cash Provided By Operating Activities	(8,118)	107,664	99,546
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Change in interfund receivables and payables	8,119	233,384	241,503
Proceeds from nonoperating revenues	-	7,177	7,177
Net Cash Provided By Noncapital Financing Activities	8,119	240,561	248,680
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on notes and bonds payable	-	(16,020)	(16,020)
Principal paid on notes and bonds payable	-	(221,870)	(221,870)
Acquisition and construction of capital assets	-	(110,334)	(110,334)
Net Cash Used By Capital and Related Financing Activities	-	(348,224)	(348,224)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	703	415	1,118
Net Cash Provided By Investing Activities	703	415	1,118
NET INCREASE IN CASH AND CASH EQUIVALENTS	704	416	1,120
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	120,099	70,924	191,023
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 120,803	\$ 71,340	\$ 192,143
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (38,985)	\$ (638,132)	\$ (677,117)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	20,038	779,444	799,482
Loss on disposal of assets	-	9,468	9,468
Changes in assets and liabilities			
Decrease (Increase) in accounts receivable	13,224	(2,772)	10,452
Decrease (Increase) in other receivables	-	(19,340)	(19,340)
Decrease (Increase) in prepaid expenses	-	(7,907)	(7,907)
Increase (Decrease) in accounts payable	1,544	(11,450)	(9,906)
Increase (Decrease) in accrued expenses	(3,939)	(1,647)	(5,586)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (8,118)	\$ 107,664	\$ 99,546

The accompanying notes are an integral part of these financial statements.

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Town of Indian Head, Maryland (the Town) was incorporated in 1920. The Town operates under a Mayor-Council form of government. Services provided include refuse, street maintenance and repairs, recreation, and water and sewer.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units, and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the Town are described below.

B. Financial Reporting Entity

The Town's basic financial statements include the accounts of all Town operations.

The Town of Indian Head, Maryland, has no component units as defined by generally accepted accounting principles.

C. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Town, the primary government, as a whole. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include charges paid by the recipients of the goods or services offered by the programs, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements. All nonmajor funds, if any, are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus on governmental funds is on the sources, uses, and balance of current financial resources. The Town has two major governmental funds, the General Fund and the Special Revenue - Parks Fund.

- **General Fund**

The General Fund is the main operating fund of the Town. This Fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

- **Special Revenue - Parks Fund**

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The fund was established for improvements and operations of the parks in the Town.

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements (continued)

• Proprietary Funds

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. The Town has presented the following major proprietary funds:

Waste Fund

Waste Fund is used to account for operations of solid waste collection and disposal services. Costs are financed through charges to sanitation customers.

Water/Sewer Fund

Water/Sewer Fund is used to account for the provision of water/sewer services to the residents of the Town. Activities of the fund include administration, operations, and maintenance of the water/sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water/sewer debt. Costs are financed through charges to utility customers with rates reviewed and adjusted as necessary.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus/Basis of Accounting (continued)

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled services, which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or as soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. Taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Equity

**Assets, Liabilities, Deferred Inflows and Outflows of Resources,
Net Position and Fund Balances**

In June 2011, GASB issued Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides guidance on reporting deferred inflows and outflows of resources and redefines net assets as net position. The Town implemented this standard as of July 1, 2012.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*." This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Town implemented this standard as of July 1, 2012.

Cash and Investments

For the purpose of the Statement of Net Position, "Cash and Equivalents" includes all demand, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "Cash and Cash Equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value. Fair value is based on quoted market price.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds."

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, franchise taxes, and grants. The major receivable balances for the business-type activities include service fees.

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Equity (continued)

Receivables (continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Service fee receivables from water, sewer, and trash comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

The accounting treatments of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

• **Government-Wide Statements**

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2004. The Town defines capital assets as those which have an acquisition cost or donated value of at least \$1,000 and an estimated life of a year or more.

Prior to July 1, 2004, governmental funds' infrastructure assets were not capitalized. The Town defines infrastructure assets to be capitalized as any road, street, and sidewalk which exceed a cost of \$100,000. The depreciable life range by category is as follows:

• Buildings	25 - 50 years
• Improvements	10 - 50 years
• Machinery and equipment	3 - 20 years
• Infrastructure	20 - 50 years
• Computer software	5 - 10 years

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Equity (continued)

Capital Assets (continued)

• **Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in governmental-wide statements.

Deferred Outflows/Inflows of Resources

The statement of financial position reports a separate section for deferred outflows of resources representing a consumption of net position that applies to a future period and is not recognized as an outflow of resources in the current period. The Town does not have any item that qualifies for reporting in this category.

The statement of financial position reports a separate section of deferred inflows of resources which represents an acquisition of net position or fund balance that applies to a future period and is not recognized as an inflow of resources or revenue until that time. The Town has one type of resource, which occurs under a modified accrual basis of accounting in this category, unavailable revenue, reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes.

These amounts are deferred and recognized as an inflow of revenue in the period that the amounts become available.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Equity (continued)

Compensated Absences

The Town policies regarding vacation time permit employees to accumulate earned but unused vacation leave. Also, the Town allows the employees, upon termination, to be paid for one-fourth of accumulated sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

• Government-Wide Statements

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.
- c. Unrestricted Net Position: All other net position that do not meet the definition of "restricted" or "investment in capital assets, net of related debt."

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

• Fund Statements

In the fund financial statements, the governmental fund equity report will display fund balance in the following classifications depicting the strength of the spending constraints placed on the purposes for which resources can be use. Proprietary fund equity is classified the same as in the government-wide statements.

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Equity (continued)

Equity Classifications (continued)

• **Fund Statements** (continued)

- a. *Nonspendable fund balance* - Amounts that are not in a spendable form or are required to be maintained intact.
- b. *Restricted fund balance* - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by the Town Charter or Code or enabling legislation.
- c. *Committed fund balance* - Amounts constrained to specific purposes by a formal action (ordinance), by Town Council, its highest level of decision-making authority, and can only be changed by formal action of the Town Council ordinance.
- d. *Assigned fund balance* - Amounts that are constrained by the Town's intent that they will be used for a specific purpose but are neither restricted nor committed. The Town's management and Town Council are authorized to assign amounts for specific purposes.
- e. *Unassigned fund balance* - Amounts that are available for any purpose; these amounts are reported only in the general fund.

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

F. Revenues, Expenditures, and Expenses

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property. Taxes are levied on July 1 and are due and payable at that time. All unpaid taxes levied July 1 become delinquent on October 1. Delinquency in paying taxes results in the property being put up for sale in May of the subsequent year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables collected within sixty days after year end.

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Revenues, Expenditures, and Expenses (continued)

Revenue Recognition - Property Taxes (continued)

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 Assessment and Taxation. The rate for the fiscal year ended June 30, 2017 was \$0.30 per \$100 of assessed value for real property and \$0.80 per \$100 of assessed value for corporate and personal property.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the governmental-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Governmental funds:
 - Current (further classified by function)
 - Debt service
 - Capital outlay

- Proprietary funds:
 - Operating
 - Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses related to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017

NOTE 2 - STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Formal budgetary integration is employed as a management control device during the year for the General Fund and Parks - Special Revenue Fund. The Town Council approved, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent transfer of funds between major appropriations for different purposes must be approved by the Council before becoming effective. All appropriations lapse at the end of the budget year to the extent that they shall not have been expended or lawfully encumbered.

NOTE 3 - CASH AND INVESTMENTS

Deposits

At year-end, the carrying amount of the Town's deposits (including cash on hand of \$200) was \$424,332 and the bank balance was \$405,038. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$155,038 was collateralized.

Investments

At June 30, 2017, the Town's investments were pooled in the state-created Maryland Local Government Investment Pool (MLGIP), a money market fund. Those investments had a fair value of \$921,928 and a maturity of less than one year.

The Town entered into a loan agreement in March 2006 which required them to establish a debt service reserve account in the amount of \$100,000. This account is restricted and dedicated solely for the purpose of the Town's payment obligations under the loan, should the Town's dedicated revenues not be sufficient to meet such payment obligations. The Town invested the money through American Funds and the fair value of those investments at June 30, 2017 was \$109,007. The Town is required to maintain a minimum balance of \$100,000 in this account. If at any time the balance is less than \$100,000, the Town shall make deposits in the account so that the balance is equal to the reserve amount no later than 60 days after the Town has noticed such deficiency.

TOWN OF INDIAN HEAD, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2017

NOTE 3 - CASH AND INVESTMENTS (continued)

Investments (continued)

Reconciliation of cash and temporary investments as shown on the Statement of Net Position:

Carrying amount of deposits	\$ 424,332
Carrying amount of restricted temporary investments	109,007
Carrying amount of temporary investments	<u>921,928</u>
Total cash and cash equivalents and restricted cash per Statement of Net Position	<u><u>\$1,455,267</u></u>

Investment Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair values to decline below original cost. To limit the Town's exposure to fair value losses arising from increasing interest rates, the Town's investment policy limits the term of investment maturities between thirty days to one year in order to remain sufficiently liquid to enable the Town to meet all operating requirements which might be reasonably anticipated. Town management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Town from having to sell investments below original cost for that purpose. The investments at June 30, 2017, met the Town's investment policy as of that date. Investment income was composed entirely of interest and dividends amounting to \$4,844 for the year ended June 30, 2017.

Credit Risk

The investment policy of the Town permits investments in the following types of investments as authorized by the State of Maryland: direct U.S. obligations, U.S. agency obligations, repurchase agreements, bankers' acceptances, municipal securities, commercial paper, money market mutual funds, and the MLGIP. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. It is rated AAAm by the Standard & Poor's, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the Town will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments were not exposed to custodial credit risk at June 30, 2017.

TOWN OF INDIAN HEAD, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2017

NOTE 3 - CASH AND INVESTMENTS (continued)

Investments (continued)

Foreign Currency Risk

The Town's investment policy does not allow for investments denominated in foreign currencies.

NOTE 4 - INTERFUND BALANCES

As of June 30, 2017, the amounts due to/from other funds were as follows:

	General Fund	Parks Fund	Waste	Water/ Sewer	Total
Due (to) from General Fund	\$ -	\$ (243,128)	\$ 225,393	\$ (733,641)	\$ (751,376)
Due (to) from Parks Fund	243,128	-	-	-	243,128
Due (to) from Waste Fund	(225,393)	-	-	-	(225,393)
Due (to) from Water/Sewer	719,975	-	13,666	-	733,641
Total	<u>\$ 737,710</u>	<u>\$ (243,128)</u>	<u>\$ 239,059</u>	<u>\$ (733,641)</u>	<u>\$ -</u>

NOTE 5 - DUE FROM OTHER GOVERNMENTAL AGENCIES

At June 30, 2017, the balance of due from other governmental agencies consisted of the following:

	Governmental Funds	Proprietary Funds
State of Maryland		
Income tax	\$ 37,885	\$ -
Highway user tax	9,036	-
Admission and amusement tax	713	-
State traders license fee	48	-
Equipment grant	-	19,340
Total State of Maryland	<u>\$ 47,682</u>	<u>\$ 19,340</u>

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities				
Capital assets not being depreciated or amortized				
Land	\$ 1,531,744	\$ -	\$ -	\$ 1,531,744
Construction in progress	504,033	11,369	-	515,402
Total Capital Assets Not Being Depreciated or Amortized	2,035,777	11,369	-	2,047,146
Capital assets being depreciated or amortized				
Infrastructure	344,349	-	-	344,349
Buildings	1,939,794	-	-	1,939,794
Improvements	1,178,356	-	-	1,178,356
Equipment	877,762	21,612	27,832	871,542
Computer software	90,822	-	-	90,822
Total Capital Assets Being Depreciated or Amortized	4,431,083	21,612	27,832	4,424,863
Less accumulated depreciation or amortization				
Infrastructure	17,217	17,217	-	34,434
Buildings	1,472,474	62,143	-	1,534,617
Improvements	551,491	50,091	-	601,582
Equipment	748,290	39,680	27,832	760,138
Computer software	85,112	5,710	-	90,822
Total Accumulated Depreciation or Amortization	2,874,584	174,841	27,832	3,021,593
Total Capital Assets Being Depreciated or Amortized, Net	1,556,499	(153,229)	-	1,403,270
Government Activities - Capital Assets, Net	\$ 3,592,276	\$ (141,860)	\$ -	\$ 3,450,416
Business-type activities				
Capital assets not being depreciated or amortized				
Construction in progress	\$ -	\$ 19,340	\$ -	\$ 19,340
Capital assets being depreciated				
Equipment	1,423,194	29,101	161,771	1,290,524
Infrastructure	26,097,201	61,893	183,835	25,975,259
Total Capital Assets Being Depreciated	27,520,395	90,994	345,606	27,265,783
Less accumulated depreciation				
Equipment	1,215,786	40,930	161,084	1,095,632
Infrastructure	12,460,994	758,552	175,054	13,044,492
Total Accumulated Depreciation	13,676,780	799,482	336,138	14,140,124
Total Capital Assets, Being Depreciated, Net	13,843,615	(708,488)	9,468	13,125,659
Business-Type Activities - Capital Assets, Net	\$ 13,843,615	\$ (689,148)	\$ 9,468	\$ 13,144,999

TOWN OF INDIAN HEAD, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2017

NOTE 6 - CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the Town as follows:

Government activities	
General government	\$ 19,865
Public works	20,681
Parks and recreation	103,979
Community affairs	30,316
Total Depreciation Expense - Governmental Activities	\$ 174,841
Business-type activities	
Waste	\$ 20,038
Water/sewer	779,444
Total Depreciation Expense - Business-Type Activities	\$ 799,482

NOTE 7 - LONG-TERM DEBT

Governmental Activities

As of June 30, 2017, the governmental accrued compensated absences consisted of the following:

Accrued compensated absences	
Current portion	\$ 4,734
Noncurrent portion	69,783
	\$ 74,517

Business-Type Activities

As of June 30, 2017, the long-term debt payable from proprietary fund resources consisted of the following:

Enterprise Funds

Maryland Department of Housing and Community Development, Infrastructure Financing Bond in the amount of \$584,900, annual installments of principal that varies are due May 1 each year; interest is payable in semi-annual installments on May 1 and November 2 each year; bond is due May 2019, interest rate range 4.40% - 5.00%, secured by full faith, credit, and taxing power of the Town.	\$ 85,600
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TOWN OF INDIAN HEAD, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2017

NOTE 7 - LONG-TERM DEBT (continued)

Business-Type Activities (continued)

Enterprise Funds (continued)

The State of Maryland, Teates Water Extension Project Bond, in the amount of \$66,162 is due in annual installments of interest only in the amount of \$3,244, until June 1, 2000, then due in annual installments of \$4,394, with balance due on June 1, 2027, interest rate of 4.9026%, secured by full faith, credit, and taxing power of the Town.

34,091

The State of Maryland, Water Quality Bond (Series 2006), in the amount of \$3,614,028 is due in varying semi-annual installments, due date of February 1, 2024, interest rate of 0.40%, secured by full faith, credit, and taxing power of the Town.

1,159,793

Total

\$ 1,279,484

Changes In Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Balance June 30,			Balance June 30,	
	2016	Additions	Deductions	2017	Current Portion
Governmental activities					
Accrued compensated absences	\$ 69,836	\$ 66,843	\$ 62,162	\$ 74,517	\$ 4,734
Total Government Activities	<u>\$ 69,836</u>	<u>\$ 66,843</u>	<u>\$ 62,162</u>	<u>\$ 74,517</u>	<u>\$ 4,734</u>
Business-type activities					
Bonds payable	\$1,501,354	\$ -	\$221,870	\$1,279,484	\$224,716
Accrued compensated absences	43,128	30,894	24,069	49,953	3,173
Total Business-Type Activities	<u>\$1,544,482</u>	<u>\$ 30,894</u>	<u>\$245,939</u>	<u>\$1,329,437</u>	<u>\$227,889</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for notes payable and bonds payable as of June 30, 2017 are as follows:

TOWN OF INDIAN HEAD, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2017

NOTE 7 - LONG-TERM DEBT (continued)

Annual Debt Service Requirements (continued)

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 224,716	\$ 10,548
2019	227,770	7,651
2020	184,735	4,591
2021	185,609	3,718
2022	186,011	3,316
2023-2027	270,643	3,685
	<u>\$ 1,279,484</u>	<u>\$ 33,509</u>

NOTE 8 - INTERFUND TRANSFERS

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers during the year ended June 30, 2017 were as follows:

Transfers from the General Fund to the Parks Special Revenue Fund for general operations	<u>\$ 16,181</u>
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NOTE 9 - RETIREMENT PLAN

Defined Contribution Plan

The Town has a money purchase defined contribution retirement plan that covers full-time employees (20 hours or more a week) after six months of service. The name of the plan is the "Town of Indian Head Pension Plan (401a Plan)." The Plan is administered by ICMA Retirement Corporation. Each employee is required to make a contribution of 3% of earnings. The employer contribution is 5% of the employee's earnings. Earnings are defined as the employee's base salary.

Employees become vested in the employer contribution based on the following schedule:

<u>Years of Service</u>	<u>Vesting %</u>
Three	50
Four	75
Five or more	100

During the current year, the Town made a contribution to the Plan in the amount of \$34,842 and employees contributed \$20,905. There are 15 employees participating in the Plan.

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017

NOTE 9 - RETIREMENT PLAN (continued)

Deferred Compensation Plan

The Town has a deferred compensation plan available to the Town employees which is established in accordance with the Internal Revenue Code Section 457. A deferred compensation plan offers employees an opportunity to defer a portion of their wages, along with the related federal and state income tax, until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Plan is administered by Public Employees Benefit Services Corporation and International City Management Association Retirement Corporation ("ICMA-RC").

The Town of Indian Head has chosen the ICMA-RC because of their high standing among the International City Management Organization and United States Conference of Mayors.

As of June 30, 2017, the Town complied with the Internal Revenue Code Section 457 requiring all assets and income of the Plan to be held in trust for the exclusive benefit of participants and their beneficiaries. Management's involvement with the Plan is limited to transferring amounts withheld from payroll to ICMA-RC. Management has little administrative involvement with the Plan and does not perform the investment function for the Plan. Accordingly, the fair value of the Plan assets at June 30, 2017 is not reflected in the Town's financial statements.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

The Town participates in certain federally-assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Town expects such amount, if any, to be immaterial, which has been the case in previous program audits.

NOTE 11 - RISK MANAGEMENT

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 Town's general liability risks are financed through the Town's participation in the Local Government Insurance Trust (LGIT). The Town pays an annual premium to the LGIT for its general insurance coverage. The agreement with the LGIT provides that the LGIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000. The Town continues to carry commercial insurance for employee health and accident insurance and workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage, and no significant reductions in insurance coverage have occurred, in any of the past three fiscal years.

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017

NOTE 12 - NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD STANDARDS

The GASB issued several pronouncements prior to the year ended June 30, 2017 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Town:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for the Town beginning with its fiscal year ending June 30, 2019. This Statement addresses accounting and financial reporting requirements for asset retirement obligations ("ARO"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

Statement No. 85, *Omnibus 2017*, will be effective for the Town beginning with the fiscal year ending June 30, 2018. The Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

Statement No. 86, *Certain Debt Extinguishment Issues*, will be effective for the Town beginning with its fiscal year ending June 30, 2018. This Statement establishes accounting and financial reporting guidelines for in-substance defeasance of debt in which existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt.

Statement No. 87, *Leases*, will be effective for the Town beginning with the fiscal year ending June 30, 2021. This Statement removes the traditional classifications of leases as operating or capital and recognizes all leases as financing tools, resulting in reporting of lease transactions as both a liability and an intangible right to use the leased asset. This Statement defines lease transactions and establishes the new accounting and financial reporting requirements.

NOTE 13 - POST RETIREMENT BENEFITS

The Town has no liability for post retirement benefits at June 30, 2017.

NOTE 14 - SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through March 30, 2018, the date the financial statements were available to be used.

TOWN OF INDIAN HEAD, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2017

BRIDGETT
MOCK
& ASSOCIATES, P.A.
Certified Public Accountants

TOWN OF INDIAN HEAD, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
For The Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final Appropriated		
REVENUES				
Taxes	\$1,166,225	\$ 1,233,639	\$1,279,082	\$ 45,443
Licenses and permits	7,988	7,988	5,917	(2,071)
Intergovernmental	14,000	292,200	292,200	-
Charges for services	73,472	73,472	84,901	11,429
Miscellaneous	32,707	32,707	35,756	3,049
Total Revenues	1,294,392	1,640,006	1,697,856	57,850
EXPENDITURES				
General government	582,119	902,630	911,026	(8,396)
Public safety	102,414	92,414	73,358	19,056
Public works	435,249	453,352	405,758	47,594
Parks and recreation	14,650	14,650	17,111	(2,461)
Community affairs	121,643	121,643	109,876	11,767
Total Expenditures	1,256,075	1,584,689	1,517,129	67,560
EXCESS OF REVENUES OVER EXPENDITURES	38,317	55,317	180,727	125,410
OTHER FINANCING SOURCES (USES)				
Transfers out	(38,317)	(38,317)	(16,181)	22,136
NET CHANGE IN FUND BALANCE	-	17,000	164,546	147,546
FUND BALANCE - BEGINNING	926,454	895,908	958,609	62,701
FUND BALANCE - ENDING	\$ 926,454	\$ 912,908	\$1,123,155	\$ 210,247

See accompanying notes to required supplementary information and independent auditor's report.

TOWN OF INDIAN HEAD, MARYLAND
SCHEDULE OF REVENUES
BUDGET TO ACTUAL - GENERAL FUND
For The Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final Appropriated		
REVENUES				
Taxes				
Real estate	\$ 691,843	\$ 691,843	\$ 704,428	\$ 12,585
Personal property-unincorporated	2,670	2,670	2,319	(351)
Personal property-incorporated	14,854	14,854	15,837	983
Admission and amusement	4,037	4,037	2,449	(1,588)
Income tax	308,629	376,043	417,148	41,105
Highway user tax	130,589	130,589	123,389	(7,200)
Public utility tax	13,603	13,603	13,512	(91)
Total Taxes	<u>1,166,225</u>	<u>1,233,639</u>	<u>1,279,082</u>	<u>45,443</u>
Licenses and permits				
Traders licenses	2,138	2,138	2,182	44
Building permits	5,210	5,210	3,455	(1,755)
Other licenses and permits	640	640	280	(360)
Total Licenses And Permits	<u>7,988</u>	<u>7,988</u>	<u>5,917</u>	<u>(2,071)</u>
Intergovernmental				
County department of aging/ community center aid	14,000	14,000	14,000	-
State grant - Broadband project	-	211,200	211,200	-
County grant- Broadband project	-	67,000	67,000	-
FEMA grant	-	-	-	-
Total Intergovernmental	<u>14,000</u>	<u>292,200</u>	<u>292,200</u>	<u>-</u>
Charges for services				
Zoning and subdivision fees	-	-	400	400
Miscellaneous fees and sales	3,061	3,061	6,181	3,120
Plan review fees	1,226	1,226	1,089	(137)
Other fees - administrative	100	100	-	(100)
Franchise fee-cable television	43,895	43,895	50,361	6,466
On and off charges	5,190	5,190	5,370	180
Rent inspection fee	20,000	20,000	21,500	1,500
Total Charges For Services	<u>73,472</u>	<u>73,472</u>	<u>84,901</u>	<u>11,429</u>
Miscellaneous				
Lease - tower	16,600	16,600	26,416	9,816
Liens - property maintenance	1,450	1,450	2,890	1,440
Fines and forfeitures	127	127	-	(127)
Miscellaneous revenue	875	875	625	(250)
Cell phone - employees	320	320	204	(116)
Interest income	585	585	332	(253)
Community promotion	-	-	112	112
Flea market	500	500	411	(89)
Fourth of July revenue	4,600	4,600	2,045	(2,555)
Classes revenue	350	350	-	(350)
Christmas activities	500	500	418	(82)
Community activities	800	800	931	131
Children's activities	1,000	1,000	872	(128)
Parks and recreation	5,000	5,000	500	(4,500)
Total Miscellaneous	<u>32,707</u>	<u>32,707</u>	<u>35,756</u>	<u>3,049</u>
Total Revenues	<u>\$1,294,392</u>	<u>\$ 1,640,006</u>	<u>\$1,697,856</u>	<u>\$ 57,850</u>

See accompanying notes to required supplementary information and independent auditor's report.

TOWN OF INDIAN HEAD, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL - GENERAL FUND
For The Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final Appropriated		
EXPENDITURES				
General government				
Town council				
Personnel	\$ 33,304	\$ 33,304	\$ 34,120	\$ (816)
Other operating	24,900	24,900	19,115	5,785
Total Town Council	58,204	58,204	53,235	4,969
Finance office				
Personnel	100,268	100,268	104,483	(4,215)
Other operating	31,525	31,525	31,416	109
Total Finance Office	131,793	131,793	135,899	(4,106)
Town manager				
Personnel	126,255	126,255	131,138	(4,883)
Other operating	8,850	8,850	7,112	1,738
Total Town Manager	135,105	135,105	138,250	(3,145)
Professional services				
Other operating	18,200	18,200	21,596	(3,396)
Town Hall				
Other operating	124,607	124,607	115,328	9,279
Capital outlay	-	308,511	308,511	-
Total Town Hall	124,607	433,118	423,839	9,279
General administrative				
Other operating	51,685	53,685	52,857	828
Economic development				
Other operating	10,300	10,300	7,500	2,800
Planning and zoning				
Other operating	52,225	62,225	77,850	(15,625)
Total General Government	582,119	902,630	911,026	(8,396)

See accompanying notes to required supplementary information and independent auditor's report.

TOWN OF INDIAN HEAD, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL - GENERAL FUND
(continued)
For The Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final Appropriated		
EXPENDITURES (continued)				
Public safety				
Public safety				
Personnel	18,864	18,864	19,817	(953)
Other operating	24,400	24,400	19,555	4,845
	<u>43,264</u>	<u>43,264</u>	<u>39,372</u>	<u>3,892</u>
Traffic control				
Other operating	3,400	3,400	3,434	(34)
Code enforcement				
Other operating	53,750	43,750	23,659	20,091
Safety committee				
Other operating	2,000	2,000	6,893	(4,893)
Total Public Safety	<u>102,414</u>	<u>92,414</u>	<u>73,358</u>	<u>19,056</u>
Public works				
Public works department				
Personnel	152,776	152,776	151,165	1,611
Other operating	56,384	64,487	55,299	9,188
Capital outlay	4,000	14,000	10,995	3,005
Total Public Works Department	<u>213,160</u>	<u>231,263</u>	<u>217,459</u>	<u>13,804</u>
Streets and sidewalks				
Other operating	76,500	76,500	74,037	2,463
Capital outlay	130,589	130,589	113,765	16,824
Total Streets And Sidewalks	<u>207,089</u>	<u>207,089</u>	<u>187,802</u>	<u>19,287</u>
Storm water management				
Other operating	15,000	15,000	497	14,503
Total Public Works	<u>435,249</u>	<u>453,352</u>	<u>405,758</u>	<u>47,594</u>
Parks and recreation				
Senior/Community center				
Other operating	14,650	14,650	17,111	(2,461)
Total Parks And Recreation	<u>14,650</u>	<u>14,650</u>	<u>17,111</u>	<u>(2,461)</u>
Community affairs				
Personnel	56,593	56,593	57,146	(553)
Other operating	65,050	65,050	52,730	12,320
Total Community Affairs	<u>121,643</u>	<u>121,643</u>	<u>109,876</u>	<u>11,767</u>
Total Expenditures	<u>1,256,075</u>	<u>1,584,689</u>	<u>1,517,129</u>	<u>67,560</u>
OTHER FINANCING USES				
Transfers out	38,317	38,317	16,181	22,136
Total Financing Uses	<u>38,317</u>	<u>38,317</u>	<u>16,181</u>	<u>22,136</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 1,294,392</u>	<u>\$ 1,623,006</u>	<u>\$ 1,533,310</u>	<u>\$ 89,696</u>

See accompanying notes to required supplementary information and independent auditor's report.

TOWN OF INDIAN HEAD, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - PARKS FUND
For The Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final Appropriated		
REVENUES				
Intergovernmental				
Federal grants	\$ 360,000	\$ 360,000	\$ -	\$ (360,000)
Total Intergovernmental	360,000	360,000	-	(360,000)
Charges for services				
Pavilion fees	20,000	20,000	17,375	(2,625)
Total Charges for Services	20,000	20,000	17,375	(2,625)
Miscellaneous				
Interest income	400	400	4,248	3,848
Tower lease	52,000	52,000	59,853	7,853
Dance	-	-	7,249	7,249
Total Miscellaneous	52,400	52,400	71,350	18,950
Total Revenues	432,400	432,400	88,725	(343,675)
EXPENDITURES				
Parks and recreation				
Parks operations				
Other operating	58,925	58,925	66,130	(7,205)
Capital outlay	360,000	360,000	-	360,000
Total Parks And Recreation	418,925	418,925	66,130	352,795
Pavilion				
Other operating	38,792	38,792	24,338	14,454
Capital outlay	13,000	13,000	14,226	(1,226)
Total Pavilion	51,792	51,792	38,564	13,228
Total Expenditures	470,717	470,717	104,694	366,023
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(38,317)	(38,317)	(15,969)	22,348
OTHER FINANCING SOURCES				
Transfers in	38,317	38,317	16,181	(22,136)
NET CHANGE IN FUND BALANCE	-	-	212	212
FUND BALANCE - BEGINNING	512,995	512,995	480,716	(32,279)
FUND BALANCE - ENDING	\$ 512,995	\$ 512,995	\$ 480,928	\$ (32,067)

See accompanying notes to required supplementary information and independent auditor's report.

TOWN OF INDIAN HEAD, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2017

BUDGETARY INFORMATION

Formal budgetary integration is employed as a management control device during the year for the General Fund and Parks - Special Revenue Fund. The Town Council approved, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent transfer of funds between major appropriations for different purposes must be approved by the Council before becoming effective. All appropriations lapse at the end of the budget year to the extent that they shall not have been expended or lawfully encumbered. The original budget was amended during the year.

RECONCILIATION OF BUDGETARY BASIS AND GAAP BASIS OF ACCOUNTING

Actual results of operations are presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund and Parks Special Revenue Fund on the non-GAAP budgetary basis of accounting in order to provide a meaningful comparison of actual results with budget estimates. Under the budgetary basis, the budgeted revenue includes fund balance as a source of revenue.

The following expenditures exceeded appropriations in the following departments:

General Fund - General Government	\$	8,396
General Fund - Parks and Recreation	\$	2,461