

TOWN OF RISING SUN  
FINANCIAL STATEMENTS  
JUNE 30, 2009

## TABLE OF CONTENTS

Independent Auditors' Report	1
Required Supplementary Information	
Management's Discussion and Analysis	2 - 8
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Assets - Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17
Notes to the Financial Statements	18 - 26
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	27

INDEPENDENT AUDITORS' REPORT

To the Mayor and Town Commissioners  
Rising Sun, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Rising Sun, Maryland as of and for the year ended June 30, 2009, which collectively comprise the Town of Rising Sun's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Rising Sun's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Rising Sun as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on page 2 through 8 and budgetary comparison information on page 27 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



September 4, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Rising Sun's discussion and analysis provides an overview of the town's financial activities for the fiscal year ended June 30, 2009. Since this information is designed to focus on the current year activities, resulting changes, and currently known facts, it should be read in conjunction with the Town's financial statements beginning on page 9.

### **Financial Highlights**

The assets of the Town exceeded its liabilities at the close of the fiscal year by \$6,653,200 (net assets). Of this amount, \$2,344,740 may be used to meet the Town's ongoing obligations to citizens and creditors.

Total net assets of the primary government increased \$30,892. The net assets of governmental activities increased \$47,100 from the previous year, while the net assets from business activities decreased \$16,208.

At the close of the current fiscal year, the Town's governmental general fund reported ending fund balance of \$198,246, all of which is unreserved and undesignated and available for spending at the Town's discretion.

The total cost of all of the Town's programs was \$2,006,395 for the year ended June 30, 2009

### **Overview of the Financial Statements**

This discussion and analysis is an introduction to The Town of Rising Sun's basic financial statements. The Town's basic financial statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of The Town of Rising Sun's finances, in a manner similar to a private-sector business.

The statement of Net Assets on page 9 presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets 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 county 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 statements also present financial information for the Town's component units.

- *Governmental Activities*—Most of the Town's basic services are reported in this category. Taxes and intergovernmental revenues generally support these services. Services provided include generally administration, public safety, public works, planning and zoning, parks and recreation, and interest.
- *Business-type Activities*—The Town charges fees to customers to help it cover all or most of the cost of the water and sewer service.

**Fund Financial Statements.** The fund financial statements begin on page 11 and provide detailed information about the major individual funds. A fund is a grouping of related accounts to maintain control over specific sources that have been segregated for specific activities or objectives. The Town of Rising Sun uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental, proprietary, and fiduciary.

- *Governmental Funds*—Most of the Town's basic services are reported in the governmental funds, which are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, the fund statements focus on near-term inflows and outflows of spendable resources and the balances available for future spending at fiscal year end. This information may be useful in evaluating the Town's near-term financing requirements.

Since the fund statements do not encompass the long-term focus of the government-wide statements, reconciliations are provided to demonstrate the differences between the Governmental Funds Balance Sheet and the Statement of Net Assets and between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities. Comparison of the two sets of statements for the governmental funds and the governmental activities may provide the reader with insight into the long-term financing decisions as the fund statements are from a short-term perspective and the activities statements show long term information.

- *Proprietary Funds*— The Town maintains one enterprise type proprietary fund to account for the operations of providing water and sewer services. Enterprise funds are used to present the same functions as business-type functions in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic water and sewer proprietary fund financial statements can be found on pages 15-17 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 18 of this report.

### **Financial Analysis of the Government as a Whole**

**Net Assets.** As noted earlier, The Town of Rising Sun's net assets exceeded liabilities by \$6,653,200. Over time, changes in net assets serve as a useful indicator of a government's financial position. A year-to-year comparison of net assets follows:

	Governmental Activities		Business-type Activities		Government-wide Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current Assets	\$ 333,905	\$ 175,063	\$ 2,221,754	\$ 2,154,079	\$ 2,555,659	\$ 2,329,142
Capital Assets, Net	<u>2,969,870</u>	<u>2,416,595</u>	<u>4,913,020</u>	<u>5,093,710</u>	<u>7,882,890</u>	<u>7,510,305</u>
Total Assets	<u>3,303,775</u>	<u>2,591,658</u>	<u>7,134,774</u>	<u>7,247,789</u>	<u>10,438,549</u>	<u>9,839,447</u>
Current Liabilities	248,479	162,609	226,896	172,066	475,375	334,675
Long-Term Liabilities	<u>1,775,086</u>	<u>1,195,939</u>	<u>1,534,888</u>	<u>1,686,525</u>	<u>3,309,974</u>	<u>2,882,464</u>
Total Liabilities	<u>2,023,565</u>	<u>1,358,548</u>	<u>1,761,784</u>	<u>1,858,591</u>	<u>3,785,349</u>	<u>3,217,139</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	1,081,964	1,096,396	3,226,496	3,257,978	4,308,460	4,354,374
Unrestricted	<u>198,246</u>	<u>136,714</u>	<u>2,146,494</u>	<u>2,131,220</u>	<u>2,344,740</u>	<u>2,267,934</u>
Net Assets	<u>\$1,280,210</u>	<u>\$1,233,110</u>	<u>\$ 5,372,990</u>	<u>\$ 5,389,198</u>	<u>\$ 6,653,200</u>	<u>\$ 6,622,308</u>

The largest component of the Town's net assets, \$4,308,460, reflects its investment in capital assets (e.g., land, infrastructure, buildings, equipment, and others), less any related outstanding debt. The decrease in Invested in Capital Assets (net of Related Debt) of \$45,914 is primarily caused by new debt exceeding capital asset additions. It should be noted that capital assets are not available for future spending as they are used to provide services to citizens. Although the Town's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources as the capital assets themselves cannot be liquidated to repay these liabilities.

Restricted net assets of \$4,308,460 are the next largest component and represent resources that are subject to external restrictions or enabling legislation on how they may be used. Restricted assets for governmental activities decreased by \$14,432 while restricted net assets for business-type activities decreased \$31,482 for a total decrease of \$45,914 from fiscal year 2008.

The remaining portion of net assets is an unrestricted net asset balance of \$2,344,740. These funds are available for the general use of the Town to conduct its normal business. Unrestricted assets for governmental activities increased by \$61,532 while unrestricted net assets for business-type activities increased \$15,274 for a total increase of \$76,806 from fiscal year 2008.

**Changes in Net Assets.** As shown in the following schedule, the Town's combined net assets increased \$61,532.

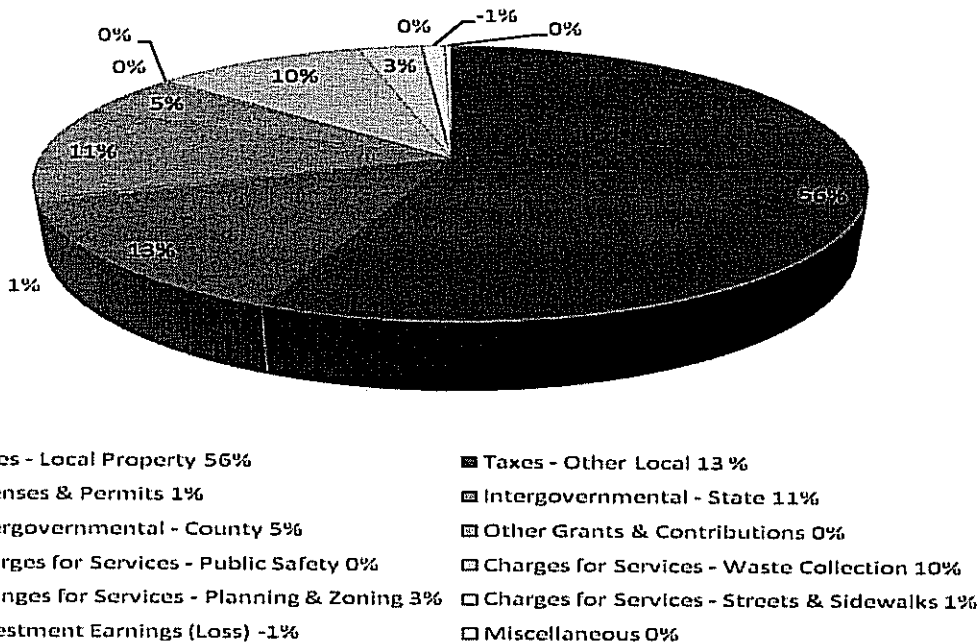
<b>Revenues</b>	<b>2009</b>	<b>2008</b>
Taxes – Local Property	\$ 751,216	\$ 705,709
Taxes - Other Local	177,780	211,524
Licenses & Permits	7,231	9,428
Intergovernmental - State	144,157	155,378
Intergovernmental - County	61,242	108,099
Other Grants & Contributions	3,783	7,650
Charges for Services - Public Safety	2,318	467
Charges for Services - Waste Collection	130,104	130,535
Charges for Services - Planning & Zoning	38,801	37,083
Charges for Services - Streets & Sidewalks	1,150	-
Investment Earnings (Loss)	(13,798)	(11,703)
Miscellaneous	<u>3,785</u>	<u>9,018</u>
<b>Total Revenues</b>	<b><u>1,307,769</u></b>	<b><u>1,363,188</u></b>
<b>Expenditures</b>		
General Government Services	134,327	370,504
Public Safety - Police	529,727	463,942
Public Safety - Code Enforcement	68,805	
Public Works - General	91,041	
Public Works - Streets & Sidewalks	711,286	465,400
Public Works - Solid Waste Collection	187,123	158,727
Parks & Recreation	32,674	9,477
Debt Service - Principal	133,205	129,425
Debt Service - Interest	<u>58,961</u>	<u>56,957</u>
<b>Total Expenditures</b>	<b><u>1,947,149</u></b>	<b><u>1,654,432</u></b>
<b>Other Financing Sources</b>		
Proceeds from Long-Term Debt	<u>700,912</u>	<u>192,543</u>
<b>Total Other Financing Sources</b>	<b><u>700,912</u></b>	<b><u>192,543</u></b>
<b>Increase (Decrease) in Net Assets</b>	<b><u>\$ 61,532</u></b>	<b><u>\$ (98,701)</u></b>

The results of net assets of governmental-wide activities improved by \$160,233. The revenue from government-wide activities decreased 4% while the expenditures increased 18%. The Town also incurred \$508,369 of long-term debt to cover the capital expenditures causing the large increase in expenditures as shown in the schedule above.

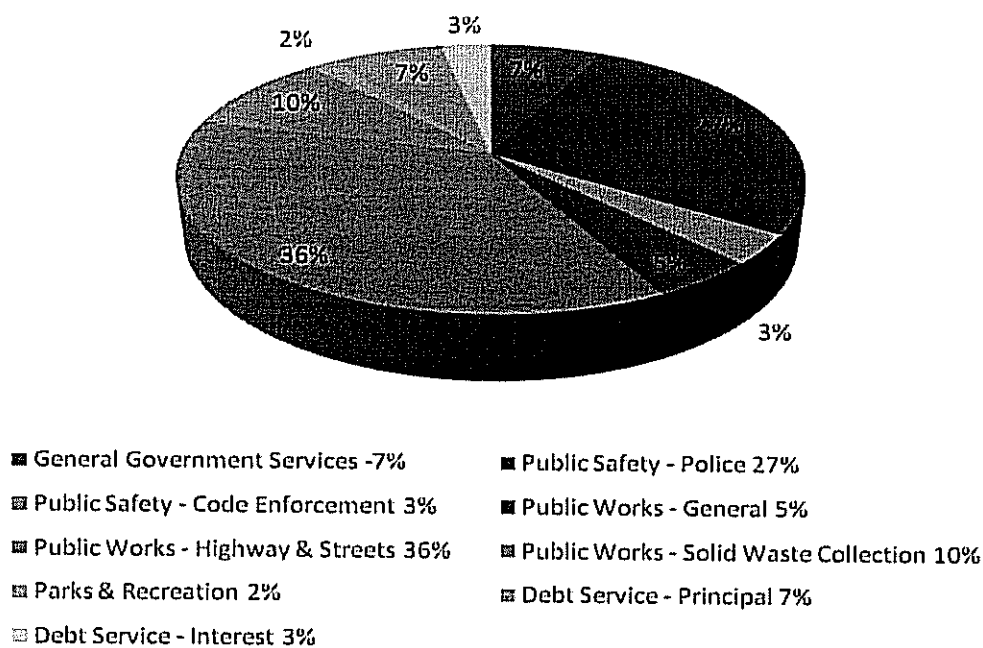
For the fiscal year ended June 30, 2009, revenues from government-wide activities totaled \$1,307,769. Property and personal property taxes represented the largest revenue source (56%), followed by other local taxes (13%), and the intergovernmental revenues from Maryland (11%).

The following charts depict revenues and expenditures of the government-wide activities for the fiscal year.

### Revenues—Government-wide Activities Fiscal Year Ending June 30, 2009



### Expenditures—Government-wide Activities Fiscal Year Ending June 30, 2009





## **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$198,246, a net increase of \$61,532 from the prior year. All of the ending fund balance constitutes unreserved fund balance.

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the business-type activities part of the government-wide financial statements, but in greater detail.

Total net assets of the water and sewer proprietary fund at year end were \$5,372,990. Net assets invested in capital assets, net of related debt, were \$3,226,496 and unrestricted net assets were \$2,146,494. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The town did not amend its General Fund budget during the fiscal year.

During the fiscal year, total actual revenues on a budgetary basis were \$436,026 (or 25%) below the amount budgeted. The primary reason for revenues being less than budgeted is due to approved grant and matching expenditures being budget however funding of these program did not happen till fiscal year 2010.

Actual expenditures were below budgeted spending \$787,853 (or 29%). The primary reason for expenditures being less than budgeted is due to approved grant and matching expenditures being budget however funding of these program did not happen till fiscal year 2010.

## **CAPITAL ASSETS AND LONG-TERM DEBT**

**Capital Assets.** As of June 30, 2009, the Town had invested \$7,882,890, Net of accumulated depreciation, in a broad range of capital assets. Depreciation and depletion charges for this fiscal year totaled \$348,792.

Major capital asset events during the current fiscal year included the following:

- The completion of \$635,605 of infrastructure—sidewalks, streets.
- The purchase of \$64,416 of police vehicles.

The following table depicts the Town's capital assets

	<u>June 30, 2009</u>			<u>June 30, 2008</u>		
Capital Assets, At Cost	\$3,977,912	\$6,724,012	\$10,701,924	\$ 3,288,705	\$ 6,715,097	\$ 10,003,802
Less: Accum. Depreciation	<u>1,008,042</u>	<u>1,810,992</u>	<u>2,819,034</u>	<u>872,110</u>	<u>1,621,387</u>	<u>2,493,497</u>
Net Capital Assets	<u>\$ 2,969,870</u>	<u>\$ 4,913,020</u>	<u>\$ 7,882,890</u>	<u>\$ 2,416,595</u>	<u>\$ 5,093,710</u>	<u>\$ 7,510,305</u>

**Long-Term Debt.** At the end of the current fiscal year, the Town had total-long term debt of \$3,574,430 of which \$264,456 is due within one year and the remaining \$3,309,974 is due in subsequent years. \$1,887,906 of the debt was related to governmental activities and \$1,686,524 was related to business-type activities. All business-type debt is bonded and backed by the full faith and credit of the government.

The Town's debt had a total net increase of \$418,499 during the fiscal year; as a result of obtaining more debt for the increase purchase of assets.

### **ECONOMIC FACTORS AND NEXT YEARS BUDGET**

The Town is expecting to feel the impact of the Base Realignment and Closure Act (BRAC) will have on all of Cecil County and will have to modify future budgets according. BRAC is expected to bring more residential growth which will increase the demands on the Town's current infrastructure and demands for services.

These factors were taken in consideration when adopting the General Fund Budget for fiscal year 2010.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of The Town of Rising Sun's finances to the citizens of The Town of Rising Sun and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report, and requests for additional financial information should be addressed to the Town Administrator, Town of Rising Sun, MD 21911.

TOWN OF RISING SUN  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 481,520	\$ 1,738,489	\$ 2,220,009
Investments	60,952		60,952
Taxes Receivable	64,271		64,271
Service Charges Receivable		189,868	189,868
Due from State of Maryland	15,763		15,763
Other Receivables	4,796		4,796
Internal Balances	(293,397)	293,397	0
Noncurrent Assets: Capital Assets, Net of Accumulated Depreciation	<u>2,969,870</u>	<u>4,913,020</u>	<u>7,882,890</u>
TOTAL ASSETS	<u>3,303,775</u>	<u>7,134,774</u>	<u>10,438,549</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	135,659	75,260	210,919
Noncurrent Liabilities:			
Due Within One Year	112,820	151,636	264,456
Due in More than One Year	<u>1,775,086</u>	<u>1,534,888</u>	<u>3,309,974</u>
TOTAL LIABILITIES	<u>2,023,565</u>	<u>1,761,784</u>	<u>3,785,349</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,081,964	3,226,496	4,308,460
Unrestricted	<u>198,246</u>	<u>2,146,494</u>	<u>2,344,740</u>
TOTAL NET ASSETS	<u>\$ 1,280,210</u>	<u>\$ 5,372,990</u>	<u>\$ 6,653,200</u>

See accompanying notes and auditors' report.

TOWN OF RISING SUN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

Function/Program Activities	Net Revenue (Expense) & Changes in Net Assets			
	Primary Government			Total
	Expenses	Charges for Services	Operating Grants & Contributions	
<b>Primary Government:</b>				
Governmental Activities:				
General Government Services	\$ 150,930	\$ 2,318	40,368	\$ (150,930) \$ (150,930)
Public Safety - Police	515,315	38,801		(472,629) (472,629)
Public Safety - Code Enforcement	68,805			(30,004) (30,004)
Public Works - General	97,742	1,150	106,222	(97,742) (97,742)
Public Works - Streets	160,435	130,104	9,574	(53,063) (53,063)
Public Works - Solid Waste Collection	182,404			(42,726) (42,726)
Parks & Recreation	34,109		1,350	(32,759) (32,759)
Interest on Long-Term Debt	50,929			(50,929) (50,929)
Total Governmental Activities	1,260,669	172,373	157,514	(930,782) (930,782)
<b>Business-Type Activities:</b>				
Water & Sewer Services	745,726	688,543		(57,183) (57,183)
<b>Total Primary Government</b>	<b>\$ 2,006,395</b>	<b>\$ 860,916</b>	<b>\$ 157,514</b>	<b>\$ (930,782) (987,965)</b>
<b>General Revenues:</b>				
Real & Personal Property Taxes				751,216 751,216
Other Local Taxes				177,780 177,780
Traders Licenses				7,231 7,231
Grants & Contributions Not Restricted to Specific Programs				51,668 51,668
Unrestricted Investment Earnings				10,617 10,617
Miscellaneous				20,345 20,345
<b>Total General Revenues</b>				<b>1,018,857 1,018,857</b>
<b>Change in Net Assets</b>				<b>30,892 30,892</b>
<b>Net Assets Beginning of Year</b>				<b>6,622,308 6,622,308</b>
<b>Net Assets End of Year</b>				<b>\$ 1,280,210 \$ 5,372,990 \$ 6,653,200</b>

See accompanying notes and auditors' report.

TOWN OF RISING SUN  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General Fund</u>
ASSETS	
Cash & Cash Equivalents	\$ 481,520
Investments	60,952
Taxes Receivable	64,271
Due from State of Maryland	15,763
Other Receivables	<u>4,796</u>
TOTAL ASSETS	\$ <u>627,302</u>
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 135,659
Due to Water & Sewer Proprietary Fund	<u>293,397</u>
TOTAL LIABILITIES	<u>429,056</u>
FUND BALANCES	
Unreserved - Undesignated	<u>198,246</u>
TOTAL LIABILITIES & FUND BALANCES	\$ <u>627,302</u>

See accompanying notes and auditors' report.

TOWN OF RISING SUN  
RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS  
JUNE 30, 2009

Amounts reported for governmental activities in the statement of net assets are different because of the following:

Fund Balance - Governmental Funds	\$ 198,246
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:	
Governmental capital assets	\$ 3,998,284
Less accumulated depreciation	<u>(1,028,414)</u>
Net capital assets	2,969,870
Long-term liabilities are not due and payable in the current period and, therefore not reported in the funds:	
General obligation debt	<u>(1,887,906)</u>
Net Assets of Governmental Activities	\$ <u>1,280,210</u>

See accompanying notes and auditors' report.

TOWN OF RISING SUN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>
REVENUES	
Taxes - Local Property	\$ 751,216
Taxes - Other Local	177,780
Licenses & Permits	7,231
Intergovernmental - State	144,157
Intergovernmental - County	61,242
Other Grants & Contributions	3,783
Charges for Services - Public Safety	2,318
Charges for Services - Waste Collection	130,104
Charges for Services - Planning & Zoning	38,801
Charges for Services - Streets & Sidewalks	1,150
Investment Earnings (Loss)	(13,798)
Miscellaneous	<u>3,785</u>
TOTAL REVENUES	<u>1,307,769</u>
EXPENDITURES	
General Government Services	134,327
Public Safety - Police	529,727
Public Safety - Code Enforcement	68,805
Public Works - General	91,041
Public Works - Streets & Sidewalks	711,286
Public Works - Solid Waste Collection	187,123
Parks & Recreation	32,674
Debt Service - Principal	133,205
Debt Service - Interest	<u>58,961</u>
TOTAL EXPENDITURES	<u>1,947,149</u>
OTHER FINANCING SOURCES	
Proceeds from Long-Term Debt	<u>700,912</u>
TOTAL OTHER FINANCING SOURCES	<u>700,912</u>
EXCESS OF REVENUES OVER EXPENDITURES	61,532
FUND BALANCES - BEGINNING	<u>136,714</u>
FUND BALANCES - ENDING	<u>\$ 198,246</u>

See accompanying notes and auditors' report.

TOWN OF RISING SUN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

Amounts reported for governmental activities in the statement of activities are different because of the following:

Net Change in Fund Balances - Governmental Funds	\$ 61,532
--	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	709,579
Depreciation expense	(156,304)

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds	(700,912)
Principal payments	<u>133,205</u>

Change in Net Assets of Governmental Activities	\$ <u>47,100</u>
---	------------------

See accompanying notes and auditors' report.



TOWN OF RISING SUN  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
JUNE 30, 2009

	<u>Total</u>
ASSETS	
Cash & Cash Equivalents	\$ 1,738,489
Service Charges Receivable	189,868
Due from General Fund	293,397
Noncurrent Assets: Capital Assets, Net of Accumulated Depreciation	<u>4,913,020</u>
TOTAL ASSETS	<u>7,134,774</u>
LIABILITIES	
Accounts Payable and Accrued Expenses	75,260
Noncurrent Liabilities:	
Due Within One Year	151,636
Due in More than One Year	<u>1,534,888</u>
TOTAL LIABILITIES	<u>1,761,784</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	3,226,496
Unrestricted	<u>2,146,494</u>
TOTAL NET ASSETS	<u>\$ 5,372,990</u>

See accompanying notes and auditors' report.

TOWN OF RISING SUN  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Service Charges	\$ 296,355	\$ 359,188	\$ 655,543
Rents & Miscellaneous	<u>16,560</u>		<u>16,560</u>
TOTAL OPERATING REVENUE	<u>312,915</u>	<u>359,188</u>	<u>672,103</u>
OPERATING EXPENSES			
Chemicals & Testing	18,108	3,987	22,095
Contracted Services & Engineering	25,563	85,390	110,953
Depreciation	111,918	80,570	192,488
Other Expenses	3,265	2,749	6,014
Payroll Taxes & Fringe Benefits	39,309	38,388	77,697
Repairs & Maintenance	15,773	7,051	22,824
Salaries & Wages	100,591	95,917	196,508
Supplies & Materials	4,188	1,274	5,462
Utilities & Telephone	46,971	25,146	72,117
Vehicle Expenses	<u>9,430</u>	<u>8,304</u>	<u>17,734</u>
TOTAL OPERATING EXPENSES	<u>375,116</u>	<u>348,776</u>	<u>723,892</u>
OPERATING INCOME (EXPENSE)	<u>(62,201)</u>	<u>10,412</u>	<u>(51,789)</u>
OTHER REVENUE (EXPENSE)			
Connection & Improvement Charges	20,500	12,500	33,000
Interest Income	10,859	13,556	24,415
Interest Expense	<u>(10,941)</u>	<u>(10,893)</u>	<u>(21,834)</u>
TOTAL OTHER REVENUE (EXPENSE)	<u>20,418</u>	<u>15,163</u>	<u>35,581</u>
CHANGE IN NET ASSETS	(41,783)	25,575	(16,208)
NET ASSETS AT BEGINNING OF YEAR	<u>2,043,973</u>	<u>3,345,225</u>	<u>5,389,198</u>
NET ASSETS AT END OF YEAR	\$ <u>2,002,190</u>	\$ <u>3,370,800</u>	\$ <u>5,372,990</u>

See accompanying notes and auditors' report.

TOWN OF RISING SUN  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 656,344
Cash Paid to Suppliers & Employees	<u>(479,003)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>177,341</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Advances From (To) General Fund	<u>(27,923)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Property, Plant & Equipment	(11,798)
Repayment of Long-Term Debt	(149,208)
Connection & Capital Improvement	
Charges Received	33,000
Interest Paid on Long-Term Obligations	<u>(21,834)</u>
NET CASH FROM CAPITAL & RELATED FINANCING ACTIVITIES	<u>(149,840)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earned	<u>24,415</u>
NET INCREASE (DECREASE) IN CASH	23,993
CASH - BEGINNING	<u>1,714,496</u>
CASH - ENDING	\$ <u>1,738,489</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ <u>(51,789)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	192,488
(Increase) Decrease in Accounts Receivable	(15,759)
Increase (Decrease) in Accounts Payable	<u>52,401</u>
Total Adjustments	<u>229,130</u>
NET CASH FROM OPERATING ACTIVITIES	\$ <u>177,341</u>

See accompanying notes and auditors' report.

TOWN OF RISING SUN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Rising Sun was incorporated in 1860. The Town operates under a Mayor - Commissioner form of government and provides the following services: Public Safety - Police and Code Enforcement; Public Works - Streets and Sidewalks, and Trash Recycling; Water and Sewer; Recreation and Parks; and General Administrative Services.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant of the government's accounting policies are described below.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

MEASUREMENT FOCUS, BASIS OF ACCOUNTING & FINANCIAL STATEMENT  
PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded as a liability when incurred, as under accrual accounting.

The Town maintains the following two funds:

Governmental Fund Type - General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Fund Type - Water and Sewer Enterprise Fund

The Water and Sewer Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, or public policy, management control, accountability or other purposes.

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BUDGETARY DATA

Formal budgetary accounting is employed as a management control for all funds of the Town. Annual operating budgets are adopted, after public hearings, by passing of an ordinance prior to the start of each fiscal year. Transfers of appropriations between functions require approval of the Board of Commissioners. The budget uses the same basis of accounting as used to reflect actual revenues and expenditures.

RECEIVABLES

All receivables are reported at gross values. No allowance for uncollectible accounts is deemed necessary.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of one year. Such items are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Machinery, equipment and vehicles	4 to 25 years
Buildings and improvements	20 to 50 years
Public domain infrastructure	10 to 50 years
Water & Sewer plants, lines and tanks	25 to 50 years
Water & Sewer improvements	10 to 50 years

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

COMPENSATED ABSENCES

Since accumulated unpaid vacation and sick leave are relatively immaterial, no accruals have been made with respect to them.

NET ASSETS

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt

This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balance of the debt that is attributable to the acquisition, construction or improvement of these assets reduces this category.

Unrestricted Net Assets

This category represents the net assets of the Town, which are not restricted for any project or other purpose by third parties.

NOTE 2- CASH AND CASH EQUIVALENTS

Deposits are carried at cost plus accrued interest. The carrying amount of Deposits is separately displayed on the balance sheet as "Cash And Equivalents", and consists of demand deposits and certificates of deposit with short-term (less than six month) maturities.

Deposits, by level of risk, are:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 344,935	\$ 344,935
Uninsured, Collateral Held By Pledging Banks		
Trust Departments In Town's Name	136,443	110,300
MD Local Government Investment Pool	<u>1,738,631</u>	<u>1,738,631</u>
Total Deposits	<u>\$2,220,009</u>	<u>\$2,193,866</u>

## NOTE 2- CASH AND CASH EQUIVALENTS - CONTINUED

The Town has adopted a policy to be followed when investing public funds in accordance with the provisions of Article 95, Section 22F of the Annotated Code of Maryland which prescribes the type of investments permissible for Maryland Municipalities. This policy requires that Town funds be invested in obligations for which the United States has pledged its full faith and credit, obligations insured by a federal agency (such as the FDIC), obligations collateralized by federal obligations, and portfolios created under the Maryland Local Government Investment Pool. The Town has adhered to these policies when investing its funds throughout the fiscal year.

## NOTE 3 - INVESTMENTS

The Town was bequeathed some A.T. & T. stock in the 1950's. The shares now owned are a result of subsequent stock splits and the A.T. & T. divestiture in 1984. These stocks would not be a permitted investment under Article 95, Section 22 of the Annotated Code of Maryland. However, the Town retains the right to hold these stocks for public use under Article 23A, Subsection 24 of the Code. The Town follows GASB Statement 31, which provides that investments should be carried at fair market value and that the change in the market value of investments be reported as revenue in the operating statement. The current year's decrease in market value of \$19,924 (from \$80,876 at June 30, 2008 to \$60,952 at June 30, 2009) has been reflected as a revenue item in the General Fund's Statement of Operations.

## NOTE 4- RETIREMENT PLAN

The Town provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after reaching age 21 and completing one year of service. Vesting occurs 40% after four years, 5% additional for each of the next two years, and 10% additional for each of the next five years. Town contributions for, and interest forfeited by employees leaving employment before full vesting are used to reduce the Town's current contribution requirement.

The Town's total payroll in fiscal 2009 was \$626,038. The total required contribution to the plan for fiscal 2009 was \$10,650. All employer contributions are fully insured. There is no obligation or provision for employees to contribute to the plan.



NOTE 4- RETIREMENT PLAN - CONTINUED

Additionally, the Town offers a deferred compensation plan under IRS section 457(b). Employees are eligible to participate after reaching age 21 and completing one year of service. The Town matches the employee's salary deferral up to a maximum of 3%. Covered payroll was \$436,742 and the Town's contribution was \$12,230.

NOTE 5- RISK MANAGEMENT

The Town has commercial insurance which covers all significant losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or for the three prior years.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 is as follows:

COST OF CAPITAL ASSETS:	6/30/08	Additions	Dispositions	6/30/09
Governmental Activities				
Land	\$ 417,807	\$	\$	\$ 417,807
Building & Improvements	1,551,091			1,551,091
Land Improvements	209,204	9,558		218,762
Infrastructure - Sidewalks, Streets	563,825	635,605		1,199,430
Machinery, Equipment & Vehicles	546,778	64,416	(20,372)	590,822
Total Governmental Activities	3,288,705	709,579	(20,372)	3,977,912
Business-Type Activities				
Land	105,491			105,491
Water Tanks, Mains, Wells & Plant	3,318,890			3,318,890
Sewer System & Improvements	2,907,651			2,907,651
Machinery, Equipment & Vehicles	383,065	11,798	(2,883)	391,980
Total Business-Type Activities	6,715,097	11,798	(2,883)	6,724,012
Total Cost	10,003,802	721,377	(23,255)	10,701,924
LESS: ACCUMULATED DEPRECIATION				
Governmental Activities				
Land				
Buildings & Improvements	211,240	31,022		242,262
Land Improvements	123,788	10,289		134,077
Infrastructure - Sidewalks & Streets	56,915	74,546		131,461
Machinery, Equipment & Vehicles	480,167	40,447	(20,372)	500,242
Total Governmental Activities	872,110	156,304	(20,372)	1,008,042
Business-Type Activities				
Land				
Water Tanks, Mains & Plants	679,219	97,278		776,497
Sewer System & Improvements	781,971	65,487		847,458
Machinery, Equipment & Vehicles	160,197	29,723	(2,883)	187,037
Total Business-Type Activities	1,621,387	192,488	(2,883)	1,810,992
Total Accumulated Depreciation	2,493,497	348,792	(23,255)	2,819,034
NET CAPITAL ASSETS:				
Governmental Activities	2,416,595	553,275		2,969,870
Business-Type Activities	5,093,710	(180,690)		4,913,020
Total Net Capital Assets	\$ 7,510,305	\$ 372,585	\$ 0	\$ 7,882,890

NOTE 7 - LONG-TERM DEBT

Long-Term Debt at June 30, 2009 consists of:

Governmental Activities:

Mortgage Loan - NBRS Financial

Total authorized and issued as of June 30, 2009 - \$1,398,427. Principal repaid through June 30, 2009 - \$202,472. Interest at 3.94%, adjustable every three years. Monthly principal and interest payments of \$6,878 through April, 2032. \$ 1,195,955

Capital Improvement Loan - NBRS Financial

Total authorized and issued as of June 30, 2009 - \$192,543. Principal paid through June 30, 2009 - \$192,543. Interest at 2.93%. Quarterly interest payments through June, 2009. Balance due June 15, 2009. 0

Capital Improvement Loan - NBRS Financial

Total authorized and issued as of June 30, 2009 - \$658,314. Principal paid through June 30, 2009 - \$0 - Interest at variable rate, based on 75% of Wall Street Journal Prime Rate, Initial Rate 2.44%. Semi-annual principal payments of \$32,916 beginning July 2, 2009 through January, 2019. Interest is paid semi-annually. 658,314

Secured Loan - NBRS Financial

Total authorized and issued as of June 30, 2009 - \$42,598. Principal paid through June 30, 2009 - \$8,960. Interest at 4.5%. Monthly principal and interest payments of \$1,268 through October, 2011. Loan is secured by 2 police vehicles. 33,637

Total Governmental Activities 1,887,906

Business-Type Activities:

Maryland Water Quality Financing Administration, Series 1990 Bond

Total authorized and issued as of June 30, 2009 - \$549,186. Principal repaid through June 30, 2009 - \$473,618. Interest at 4.9%, paid semi-annually. Principal to be repaid in annual installments through February, 2011. 75,568

Maryland Water Quality Financing Administration, Series 2002 Bonds

Total authorized and issued as of June 30, 2009 - \$3,600,000. Issued as of June 30, 2009 - \$2,179,967. Principal repaid through June 30, 2009 - \$569,011. Interest at 0.5%, paid semi-annually. Principal to be repaid in annual installments through February, 2032. 1,610,956

Total Business-Type Activities 1,686,524

Total Long-Term Debt \$ 3,574,430

NOTE 7 - LONG TERM DEBT (CONTINUED)

During the year ended June 30, 2009, the following changes occurred in Long-Term Debt:

	Balance 6/30/08	Issued	Retired	Balance 6/30/09
Governmental Activities	\$ 1,320,199	\$ 700,912	\$ 133,205	\$ 1,887,906
Business-Type Activities	1,835,732		149,208	1,686,524
Totals	\$ 3,155,931	\$ 700,912	\$ 282,413	\$ 3,574,430

Future debt service requirements are as follows:

Years Ending June 30	Governmental Activities		Business-Type Activities	
	Principal Maturing	Interest Payable	Principal Maturing	Interest Payable
2010	\$ 112,820	\$ 66,981	\$ 151,636	\$ 10,492
2011	114,765	63,093	147,399	8,083
2012	106,421	59,377	112,572	6,656
2013	102,948	55,897	105,736	6,110
2014	104,437	52,449	60,318	5,695
2015 through 2019	546,592	209,027	306,145	23,911
2020 through 2024	264,641	132,962	313,874	16,161
2025 through 2029	322,285	75,317	321,802	8,216
2030 through 2032	212,997	12,477	167,042	1,105
Totals	\$ 1,887,906	\$ 727,580	\$ 1,686,524	\$ 86,429

NOTE 8 - SUBSEQUENT EVENT

As a result of State of Maryland, Board of Public Works action taken on August 25, 2009, the Town of Rising Sun was notified by the State Highway Administration that their local share of Highway User Revenue for Fiscal Year ended June 30, 2010 would be reduced by 90%. For the Town, this equates to approximately a \$100,000 reduction in revenue that was originally budgeted by the Town for Fiscal Year 2010.

## REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF RISING SUN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009

	Original and Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 755,798	\$ 751,216	\$ (4,582)
Other Local Taxes	136,529	177,780	41,251
Licenses & Permits	1,000	7,231	6,231
Intergovernmental - State	468,130	144,157	(323,973)
Intergovernmental - County	64,740	61,242	(3,498)
Other Grants & Contributions	6,500	3,783	(2,717)
Charges for Services - Public Safety	3,600	2,318	(1,282)
Charges for Services - Waste Collection	187,748	130,104	(57,644)
Charges for Services - Sidewalks & Zoning	110,650	39,951	(70,699)
Investment Earnings (Loss)	4,000	(13,798)	(17,798)
Miscellaneous	5,100	3,785	(1,315)
<b>TOTAL REVENUES</b>	<b>1,743,795</b>	<b>1,307,769</b>	<b>(436,026)</b>
<b>EXPENDITURES</b>			
General Government Services	361,667	134,327	(227,340)
Public Safety - Police	516,393	529,727	13,334
Public Safety - Code Enforcement	171,731	68,805	(102,926)
Public Works - General	120,103	91,041	(29,062)
Public Works - Streets & Sidewalks	966,477	711,286	(255,191)
Public Works - Solid Waste Collection	200,322	187,123	(13,199)
Parks & Recreation	136,540	32,674	(103,866)
Debt Service - Principal	121,717	133,205	11,488
Debt Service - Interest	140,052	58,961	(81,091)
<b>TOTAL EXPENDITURES</b>	<b>2,735,002</b>	<b>1,947,149</b>	<b>(787,853)</b>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from Long-Term Debt	700,000	700,912	912
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>700,000</b>	<b>700,912</b>	<b>912</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(291,207)</b>	<b>61,532</b>	<b>352,739</b>
<b>FUND BALANCES - BEGINNING</b>	<b>136,714</b>	<b>136,714</b>	<b>0</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ (154,493)</b>	<b>\$ 198,246</b>	<b>\$ 352,739</b>

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