

TOWN OF RISING SUN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

TOWN OF RISING SUN

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Independent Auditors' Report

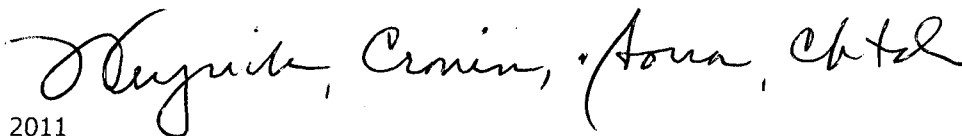
To the Mayor and Town Commissioners
Rising Sun, Maryland

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, 2011, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 27 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.



November 18, 2011



TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2011

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, 2011. Since this information is designed to focus on the current year's 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 \$6,836,829 (net assets). Of this amount, \$1,816,199 may be used to meet the Town's ongoing obligations to citizens and creditors.

- Total net assets of the primary government increased \$239,729. The net assets of governmental activities increased \$46,603 from the previous year, while the net assets from business activities increased \$193,126.
- At the close of the current fiscal year, the Town's governmental general fund reported ending fund balance of \$208,626, all of which is unassigned and available for spending at the Town's discretion.
- The total cost of all of the Town's programs was \$2,299,733 for the year ended June 30, 2011.

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, revenue 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-side 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).

TOWN OF RISING SUN

Management Discussion and Analysis

June 30, 2011

- *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 general 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 services.

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 two categories, governmental and proprietary.

- *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 funds 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.

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Management Discussion and Analysis June 30, 2011

Financial Analysis of the Government as a Whole

Net Assets. As noted earlier, the Town of Rising Sun's net assets exceeded liabilities by \$6,836,829. 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current Assets	\$ 255,975	\$ 200,509	\$ 14,314,139	\$ 1,991,673	\$ 14,570,114	\$ 2,192,182
Capital Assets, Net	2,934,797	2,989,673	5,656,450	4,938,689	8,591,247	7,928,362
Total Assets	<u>3,190,772</u>	<u>3,190,182</u>	<u>19,970,589</u>	<u>6,930,362</u>	<u>23,161,361</u>	<u>10,120,544</u>
Current Liabilities	189,625	177,787	157,527	297,851	347,152	475,638
Long-Term Liabilities	1,602,463	1,660,314	14,374,917	1,387,490	15,977,380	3,047,804
Total Liabilities	<u>1,792,088</u>	<u>1,838,101</u>	<u>14,532,444</u>	<u>1,685,341</u>	<u>16,324,532</u>	<u>3,523,442</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	1,190,058	1,214,594	3,830,572	3,403,800	5,020,630	4,618,394
Unrestricted	208,626	137,487	1,607,573	1,841,221	1,816,199	1,978,708
Net Assets	<u>\$ 1,398,684</u>	<u>\$ 1,352,081</u>	<u>\$ 5,438,145</u>	<u>\$ 5,245,021</u>	<u>\$ 6,836,829</u>	<u>\$ 6,597,102</u>

The largest component of the Town's net assets, \$5,020,630, reflects its investment in capital assets (e.g., land, infrastructure, buildings, equipment, and others), less any related outstanding debt. The increase in Invested in Capital Assets (net of Related Debt) of \$402,236 is primarily caused by new 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.

The remaining portion of net assets is an unrestricted net asset balance of \$1,816,199. These funds are available for the general use of the Town to conduct its normal business. Unrestricted assets for governmental activities increased by \$71,139, while unrestricted net assets for business-type activities decreased \$233,648 for a total decrease of \$162,509 from fiscal year 2010.

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2011

Changes in Net Assets. As shown in the following schedule, the Town's governmental net assets increased \$71,139.

Revenue	<u>2011</u>	<u>2010</u>
Taxes - Local Property	\$ 884,257	\$ 858,452
Taxes - Other Local	182,715	179,862
Licenses & Permits	110	6,882
Intergovernmental - Federal	-	36,929
Intergovernmental - State	46,961	197,560
Intergovernmental - County	71,807	65,005
Other Grants & Contributions	-	500
Charges for Services - Public Safety	5,766	3,908
Charges for Services - Waste Collection	150,631	161,710
Charges for Services - Planning & Zoning	3,778	8,014
Charges for Services - Street & Sidewalks	820	23,326
Charges for Services - Parks & Recreation	525	260
Investment Earnings (Loss)	21,345	4,353
Miscellaneous	9,065	8,031
Total Revenues	<u>1,377,780</u>	<u>1,554,792</u>
Expenditures		
General Government Services	271,149	181,576
Public Safety - Police	539,544	532,852
Public Safety - Code Enforcement	45,778	75,828
Public Works - General	142,913	128,444
Public Works - Streets & Sidewalks	21,869	270,530
Public Works - Solid Waste Collection	168,081	197,302
Parks & Recreation	25,860	10,225
Disaster Responses	-	29,486
Debt Service - Principal	141,475	112,827
Debt Service - Interest	61,107	76,481
Total Expenditures	<u>1,417,776</u>	<u>1,615,551</u>
Other Financing Sources		
Proceeds from Long-Term Debt	111,135	-
Total Other Financing Sources	<u>111,135</u>	<u>-</u>
Increase (decrease) in Net Assets	<u>\$ 71,139</u>	<u>\$ (60,759)</u>

The net assets of the government-wide activities increased \$71,139. The revenue from government-wide activities decreased 11% while the expenditures decreased 12%. The Town decrease in expenditure is due to the reduction in capital expenditure with the completion of public works—streets & sidewalks.

For the fiscal year ended June 30, 2011, revenues from government-wide activities totaled \$1,377,780. Property and personal property taxes represented the largest revenue source (64%), followed by other local taxes (13%) and charges for services-waste collection (11%).

The largest components of the governmental activities' expenses of \$1,417,776 are general government (19%), public safety-police (38%), and public-solid waste collection (12%).

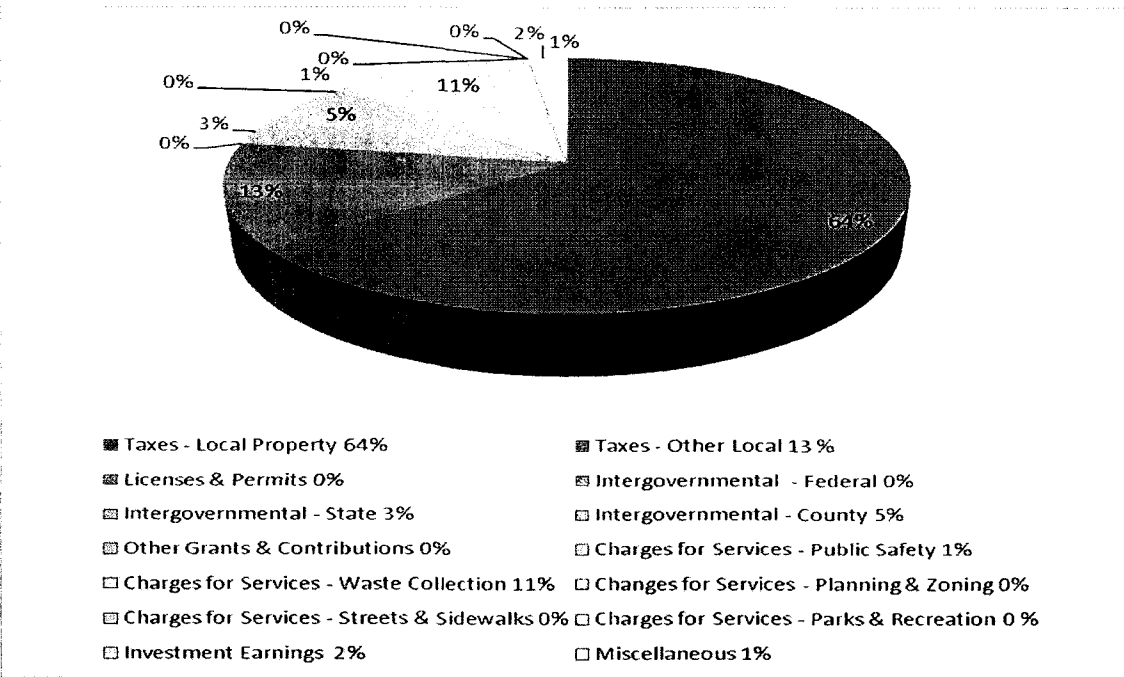
TOWN OF RISING SUN

Management Discussion and Analysis

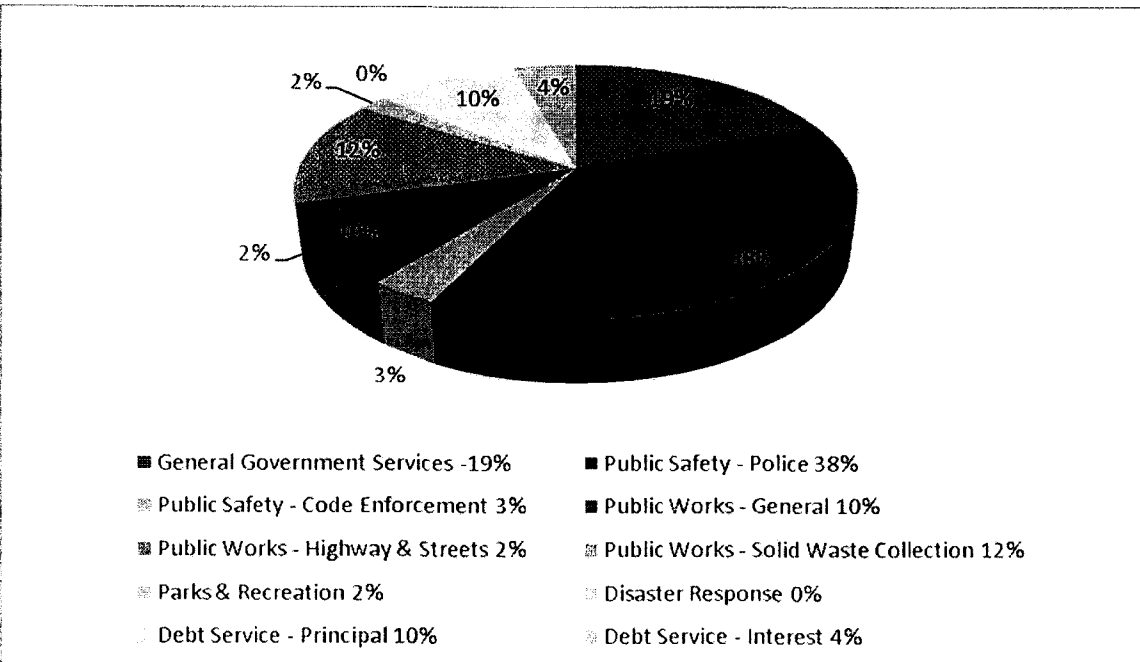
June 30, 2011

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, 2011



Expenditures-Government-wide Activities Fiscal Year Ending June 30, 2011



TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2011

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, 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. As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$208,626, a net increase of \$71,139 from the prior year. All of the ending fund balance constitutes unassigned 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 \$5,438,145. Net assets invested in capital assets, net of related debt, were \$3,830,572, and unrestricted net assets were \$1,607,573. 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 \$341,030 (or 20%) below the amount budgeted. The primary reason for revenues being less than budgeted is due to approved grant and matching expenditures being budgeted; however, funding of these programs did not happen until fiscal year 2012.

Actual expenditures were below budgeted spending \$386,857 (or 21%). The primary reason for expenditures being less than budgeted is due to approved grant and matching expenditures being budgeted; however, funding of these programs did not happen until fiscal year 2012.

Capital Assets and Long-Term Debt

Capital Assets. As of June 30, 2011, the Town had invested \$8,591,247, net of accumulated depreciation, in a broad range of capital assets. Depreciation and depletion charges for this fiscal year totaled \$404,332.

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

- The \$904,310 of infrastructure – water & sewer.

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2011

The following table depicts the Town's capital assets

	June 30, 2011			June 30, 2010		
	Governmental	Proprietary	Total	Governmental	Proprietary	Total
Capital Assets, at Cost	\$ 4,301,712	\$ 7,883,339	\$ 12,185,051	\$ 4,170,054	\$ 6,947,779	\$ 11,117,833
Less: Accum. Depreciation	1,366,915	2,226,889	3,593,804	1,180,381	2,009,090	3,189,471
Net Capital Assets	\$ 2,934,797	\$ 5,656,450	\$ 8,591,247	\$ 2,989,673	\$ 4,938,689	\$ 7,928,362

Long-Term Debt. At the end of current fiscal year, the Town had total long-term debt of \$16,232,228, of which \$254,848 is due within one year, and the remaining \$15,977,380 is due in subsequent years. \$1,744,739 of the debt was related to governmental activities, and \$14,487,489 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 \$12,922,260 during the fiscal year, as a result of purchase issuing of debt of \$111,135 in governmental activities for new vehicles and public works equipment. Business-type activities issued debt of \$13,100,000 for the wastewater treatment plant upgrade. The Town also retired debt of \$288,875.

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, 2011

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 98,588	\$ 13,983,895	\$ 14,082,483
Investments	78,909	- 0 -	78,909
Taxes receivable	30,619	- 0 -	30,619
Service charges receivable	52,081	305,246	357,327
Due from the State of Maryland	1,835	- 0 -	1,835
Other receivables	18,441	500	18,941
Internal balances	(24,498)	24,498	- 0 -
Noncurrent assets: capital assets, net of accumulated depreciation	<u>2,934,797</u>	<u>5,656,450</u>	<u>8,591,247</u>
TOTAL ASSETS	<u>3,190,772</u>	<u>19,970,589</u>	<u>23,161,361</u>
LIABILITIES			
Accounts payable and accrued expenses	47,349	44,955	92,304
Noncurrent liabilities:			
Due within one year	142,276	112,572	254,848
Due in more than one year	<u>1,602,463</u>	<u>14,374,917</u>	<u>15,977,380</u>
TOTAL LIABILITIES	<u>1,792,088</u>	<u>14,532,444</u>	<u>16,324,532</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,190,058	3,830,572	5,020,630
Unrestricted	<u>208,626</u>	<u>1,607,573</u>	<u>1,816,199</u>
TOTAL NET ASSETS	<u>\$ 1,398,684</u>	<u>\$ 5,438,145</u>	<u>\$ 6,836,829</u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Activities
For the Year Ended June 30, 2011

FUNCTIONS/PROGRAM ACTIVITIES	Program Revenues					Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total	Primary Government
PRIMARY GOVERNMENT								
Governmental Activities:								
General government	\$ 293,651	\$ -0-	\$ -0-	\$ -0-	\$ (293,651)	\$ -0-	\$ (293,651)	
Public safety - police	513,176	5,766	32,364	-0-	(475,046)	-0-	(475,046)	
Public safety - code enforcement	45,778	3,778	-0-	-0-	(42,000)	-0-	(42,000)	
Public works - general	97,662	820	-0-	-0-	(96,842)	-0-	(96,842)	
Public works - streets	112,734	-0-	14,597	-0-	(98,137)	-0-	(98,137)	
Public works - solid waste collection	169,261	150,631	9,574	-0-	(9,056)	-0-	(9,056)	
Parks and recreation	37,809	525	-0-	-0-	(37,284)	-0-	(37,284)	
Interest on long term debt	61,107	-0-	-0-	-0-	(61,107)	-0-	(61,107)	
Total Governmental Activities	1,331,178	161,520	56,535	-0-	(1,113,123)	-0-	(1,113,123)	
Business Type Activities:								
Water and sewer system	968,555	762,590	-0-	357,900	-0-	151,935	151,935	
TOTAL PRIMARY GOVERNMENT	\$ 2,299,733	\$ 924,110	\$ 56,535	\$ 357,900	(1,113,123)	151,935	(961,188)	
GENERAL REVENUES:								
Real and personal property taxes					884,257	-0-	884,257	
Other local taxes					182,715	-0-	182,715	
Traders licenses					110	-0-	110	
Grants and contributions not restricted to specific programs					62,233	-0-	62,233	
Unrestricted investment earnings					21,345	24,561	45,906	
Miscellaneous					9,066	16,630	25,696	
TOTAL GENERAL REVENUES					1,159,726	41,191	1,200,917	
CHANGE IN NET ASSETS					46,603	193,126	239,729	
NET ASSETS - BEGINNING OF YEAR					1,352,081	5,245,019	6,597,100	
NET ASSETS - ENDING OF YEAR					\$ 1,398,684	\$ 5,438,145	\$ 6,836,829	

TOWN OF RISING SUN

Balance Sheet Governmental Funds June 30, 2011

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 98,588
Investments	78,909
Taxes receivable	30,619
Service charges receivable	52,081
Due from State of Maryland	1,835
Other receivables	<u>18,441</u>
TOTAL ASSETS	<u><u>\$ 280,473</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 47,349
Due to water and sewer proprietary fund	<u>24,498</u>
TOTAL LIABILITIES	<u>71,847</u>
FUND BALANCES	
Unassigned	<u>208,626</u>
TOTAL FUND BALANCES	<u>208,626</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 280,473</u></u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Funds June 30, 2011

Amounts reported for Governmental Activities in the Statement of Net Assets are different because of the following:

FUND BALANCE - GOVERNMENTAL FUNDS	\$	208,626
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Capital assets used in Governmental Activities are not financial resources, and therefore, are not reported in the governmental funds:

Governmental capital assets	\$	4,301,712	
Less accumulated depreciation		(1,366,915)	
Net Capital Assets			2,934,797

Long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds:

General obligation debt	(1,744,739)
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>1,398,684</u>
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See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2011

	General Fund
REVENUES	
Taxes - local property	\$ 884,257
Taxes - other local	182,715
Licenses and permits	110
Intergovernmental - state	46,961
Intergovernmental - county	71,807
Charges for service - public safety	5,766
Charges for service - waste collection	150,631
Charges for service - planning and zoning	3,778
Charges for service - streets and sidewalks	820
Charges for service - parks and recreation	525
Investment earnings	21,345
Miscellaneous	9,065
Total Revenues	<u>1,377,780</u>
EXPENDITURES	
General government	271,149
Public safety - police	539,544
Public safety - code enforcement	45,778
Public works - general	142,913
Public works - streets and sidewalks	21,869
Public works - solid waste collection	168,081
Parks and recreation	25,860
Debt service - principal	141,475
Debt service - interest	61,107
Total Expenditures	<u>1,417,776</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(39,996)
OTHER FINANCING SOURCES AND USES	
Loan proceeds	<u>111,135</u>
NET CHANGE IN FUND BALANCES	71,139
FUND BALANCES - BEGINNING	<u>137,487</u>
FUND BALANCES - ENDING	<u>\$ 208,626</u>

See accompanying notes to financial statements

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, 2011

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

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 71,139
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$186,534 exceeded capital outlays of \$131,658 in the current period.	(54,876)
Proceeds from notes payable of \$111,135, net of principal payments of \$141,475, were utilized to acquire capital assets.	<u>30,340</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 46,603</u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Net Assets Major Proprietary Funds June 30, 2011

	<u>Total</u>
ASSETS	
Cash and cash equivalents	\$ 13,983,895
Service charges receivable	305,246
Other receivables	500
Due from general fund	24,498
Noncurrent assets: capital assets, net of accumulated depreciation	<u>5,656,450</u>
TOTAL ASSETS	<u>19,970,589</u>
LIABILITIES	
Accounts payable	44,955
Noncurrent liabilities:	
Due within one year	112,572
Due in more than one year	<u>14,374,917</u>
TOTAL LIABILITIES	<u>14,532,444</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,830,572
Unrestricted	<u>1,607,573</u>
TOTAL NET ASSETS	<u>\$ 5,438,145</u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended June 30, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Service fees	\$ 338,757	\$ 423,833	\$ 762,590
Rents and miscellaneous	<u>16,630</u>	<u>- 0 -</u>	<u>16,630</u>
Total Operating Revenue	<u>355,387</u>	<u>423,833</u>	<u>779,220</u>
OPERATING EXPENSES			
Chemicals and testing	18,358	17,355	35,713
Contracted services and engineering	64,946	65,162	130,108
Depreciation	122,310	95,488	217,798
Fines	- 0 -	5,035	5,035
Other administrative expenses	44,357	66,607	110,964
Payroll taxes and fringe benefits	39,996	39,969	79,965
Repairs and maintenance	19,247	9,206	28,453
Salaries and wages	125,484	125,655	251,139
Supplies and materials	1,517	598	2,115
Utilities and telephone	43,274	22,669	65,943
Vehicle expenses	<u>7,717</u>	<u>7,445</u>	<u>15,162</u>
Total Operating Expenses	<u>487,206</u>	<u>455,189</u>	<u>942,395</u>
OPERATING INCOME (LOSS)	<u>(131,819)</u>	<u>(31,356)</u>	<u>(163,175)</u>
NONOPERATING REVENUES (EXPENSES)			
Grants	178,950	178,950	357,900
Interest income	899	23,662	24,561
Interest expense	<u>(16,256)</u>	<u>(9,904)</u>	<u>(26,160)</u>
Total Nonoperating Revenue (Expense)	<u>163,593</u>	<u>192,708</u>	<u>356,301</u>
CHANGE IN NET ASSETS	31,774	161,352	193,126
TOTAL NET ASSETS - BEGINNING	<u>1,923,213</u>	<u>3,321,806</u>	<u>5,245,019</u>
TOTAL NET ASSETS - ENDING	<u><u>\$ 1,954,987</u></u>	<u><u>\$ 3,483,158</u></u>	<u><u>\$ 5,438,145</u></u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Cash Flows - Proprietary Funds For the Year Ended June 30, 2011

	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 640,118
Cash payments to suppliers and employees	<u>(752,938)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(112,820)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Advances from General Fund	<u>134,374</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond proceeds utilized for capital expenditures	13,100,000
Repayments of bonds	(147,400)
Grant funds utilized for capital expenditures	357,900
Acquisition of property, plant and equipment	(1,009,728)
Interest payments and administrative fees paid on bond	<u>(26,160)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>12,274,612</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of interest	<u>24,561</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>24,561</u>
NET INCREASE IN CASH	12,320,727
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,663,168</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 13,983,895</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating income (loss)	\$ (163,175)
Add depreciation and amortization expense	217,798
(Increase) decrease in current assets	
Accounts receivable	(139,102)
Prepaid expenses	2,988
Increase (decrease) in current liabilities	
Accounts payable	<u>(31,329)</u>
Net Cash Used in Operating Activities	<u><u>\$ (112,820)</u></u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Notes To Financial Statements June 30, 2011

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.

Measurement Focus, Basis of Accounting and 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.

TOWN OF RISING SUN

Notes To Financial Statements June 30, 2011

1. Summary of Significant Accounting Policies (continued)

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.

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

TOWN OF RISING SUN

Notes To Financial Statements June 30, 2011

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.

Restricted Net Assets

This category represent the net assets of the Town which have been restricted for a specific project or purpose by a third party. As of June 30, 2011, the Town did not have any assets to be reported in 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.

In the fund financial statements, net assets are classified in the following categories:

Nonspendable

This category includes amounts that cannot be spent due to form, such as inventory, prepaid amounts, long term receivables or amounts that must be maintained intact legally or contractually. As of June 30, 2011, the Town did not have any assets to be reported in this category.

Restricted

This category includes amounts constrained by an external party, constitutional provision or enabling legislation. As of June 30, 2011, the Town did not have any assets to be reported in this category.

Committed

This category includes amounts constrained for a specific purpose by the Board of Commissioners using its highest level of decision making authority, prior to year end. As of June 30, 2011, the Town did not have any assets to be reported in this category.

Assigned

This category includes amounts constrained by the intent to be used for a specific purpose by a governing board which has the authority to assign funds. As of June 30, 2011, the Town did not have any assets to be reported in this category.

Unassigned

This category includes all funds which are not specifically classified as Nonspendable, Restricted, Committed or Assigned.

TOWN OF RISING SUN

Notes To Financial Statements June 30, 2011

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:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 349,739	\$ 624,004
Uninsured, Collateral Held By Pledging Banks Trust Departments In Town's Name	-0-	-0-
Uninsured, Uncollateralized Funds	12,504,415	12,507,587
MD Local Government Investment Pool	<u>1,228,329</u>	<u>1,228,329</u>
Total Deposits	\$ <u>14,082,483</u>	\$ <u>14,359,920</u>

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 unsecured, uncollateralized cash balance as of June 30, 2011 was in violation of the Annotated Code of Maryland. However, the Town has corrected this violation as of November 14, 2011. This correction is further documented in Footnote 10 – Subsequent Events.

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.

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 2011 was \$644,964. The total required contribution to the plan for fiscal 2011 was \$12,011. All employer contributions are fully insured. There is no obligation or provision for employees to contribute to the plan.

TOWN OF RISING SUN

Notes To Financial Statements June 30, 2011

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%. During the year ended June 30, 2011, the Town matched employee contributions of up to 2%, for a total contribution of \$13,025.

5. Risk Management

The Town has commercial insurance which covers significant losses. However, the Town does not have coverage regarding contractual claims which becomes significant in light of current litigation disclosed in Note 6. Settlement amounts have not exceeded insurance coverage for the current year or for the three prior years.

6. Litigation

The Town is the defendant in a lawsuit filed by a property owner seeking damages due to the property owners' inability to be serviced by water and sewer utilities by the Town. The suit consists of six counts each asking for damages of \$20.5 million for a total of \$123 million.

As the case stems from planning, funding and construction of water and sewer utilities, the Town has spent significant time and money resolving the underlying issues. The Town has begun accepting proposals for the design and construction of a water and sewer treatment plant, as well as negotiating for additional water sources for the Town.

While it is too early to determine an outcome of the litigation, there is a severe threat to the Town with regards to this lawsuit. While the Town has insurance coverage for legal claims, only two of the six counts are covered by the policy. The remaining four counts are contractual claims in nature which, as described in Note 5, are not covered by the Town's insurance. This leaves a potential uncovered loss of \$82 million.

After settlement negotiations broke down in February 2011, the Plaintiff filed a Second Amended Complaint to which the Town responded by renewing a Motion to Dismiss. The Town is currently waiting for the Court to set a hearing date for the Motion to Dismiss which it believes is meritorious and could cause the entire case to be dismissed.

Should the Plaintiff prevail, it is estimated that the likelihood of the Town having to pay more than \$500,000 is extremely unlikely.

In a related matter, the Town is also the defendant in a civil action filed by the Maryland Department of the Environment for violations of the Federal Safe Drinking Water Act, stemming from violations at the Town's wastewater treatment plant. The suit incorporates a Consent Order agreed to by the Town. To date, the Town has complied with all terms of the Order established under the suit. Penalties are ongoing and could be as much as \$1,800 per month. Failure to meet target dates carries additional penalties of \$500 per day. During the year ended June 30, 2011, the Town paid a total of \$5,035 in fines and penalties regarding this matter. It is likely that violations and penalties will continue at the plant until a new plant is online, possibly in late 2012.

TOWN OF RISING SUN

Notes To Financial Statements June 30, 2011

7. Capital Assets

Capital asset activity for the year ended June 30, 2011 is as follows:

	<u>6/30/10</u>	<u>Additions</u>	<u>Dispositions</u>	<u>6/30/11</u>
GOVERNMENTAL ACTIVITIES:				
Land	\$ 417,807	\$ -0-	\$ -0-	\$ 417,807
Building and improvements	1,551,091	-0-	-0-	1,551,091
Land improvements	218,762	-0-	-0-	218,762
Infrastructure - sidewalks, streets	1,364,672	-0-	-0-	1,364,672
Machinery, equipment and vehicles	<u>617,722</u>	<u>131,658</u>	-0-	<u>749,380</u>
Total	<u>4,170,054</u>	<u>131,658</u>	<u>- 0 -</u>	<u>4,301,712</u>
Less: Accumulated Depreciation				
Land				
Buildings and improvements	273,284	31,022	-0-	304,306
Land improvements	145,322	11,245	-0-	156,567
Infrastructure - sidewalks and streets	221,065	89,604	-0-	310,669
Machinery, equipment and vehicles	<u>540,710</u>	<u>54,663</u>	-0-	<u>595,373</u>
Total Governmental Activities	<u>1,180,381</u>	<u>186,534</u>	<u>- 0 -</u>	<u>1,366,915</u>
Net Capital Assets - Governmental Activities	<u>\$ 2,989,673</u>			<u>\$ 2,934,797</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 22,502
Public Safety - Police	44,998
Public Works - General	15,040
Public Works - Streets	90,865
Public Works - Solid Waste Collection	1,180
Parks & Recreation	<u>11,949</u>
Total	<u>\$ 186,534</u>

	<u>6/30/10</u>	<u>Additions</u>	<u>Dispositions</u>	<u>6/30/11</u>
BUSINESS-TYPE ACTIVITIES:				
Land	\$ 105,491	\$ -0-	\$ -0-	\$ 105,491
Water tanks, mains, wells and plant	3,423,519	112,036	-0-	3,535,555
Sewer system and improvements	3,014,383	792,274	-0-	3,806,657
Machinery, equipment and vehicles	<u>404,386</u>	<u>31,250</u>	-0-	<u>435,636</u>
Total	<u>6,947,779</u>	<u>935,560</u>	<u>-0-</u>	<u>7,883,339</u>
Less: Accumulated Depreciation				
Land				
Water tanks, mains and plants	874,665	105,170	-0-	979,835
Sewer system and improvements	916,730	77,340	-0-	994,070
Machinery, equipment and vehicles	<u>217,695</u>	<u>35,289</u>	-0-	<u>252,984</u>
Total Business-Type Activities	<u>2,009,090</u>	<u>217,798</u>	<u>- 0 -</u>	<u>2,226,889</u>
Net Capital Assets - Business-Type Activities	<u>\$ 4,938,689</u>			<u>\$ 5,656,450</u>

TOWN OF RISING SUN

Notes To Financial Statements June 30, 2011

7. Long-Term Debt

Long-Term Debt at June 30, 2011 consists of:

Governmental Activities:

Mortgage Loan - NBRS Financial

Total authorized and issued as of June 30, 2011 - \$1,398,427.

Principal repaid through June 30, 2011 - \$272,661.

Interest at 3.94%, adjustable every three years. Monthly principal and interest payments of \$6,627 through April, 2032.

\$ 1,125,767

Capital Improvement Loan - NBRS Financial

Total authorized and issued as of June 30, 2011 - \$658,314. Principal paid through June 30, 2011 - \$131,663 - Interest at variable rate, based on 75% of Wall Street Journal Prime Rate, Initial Rate 2.44%.

Annual principal payments of \$65,831 beginning January 1, 2011 through January 2019. Interest is paid semi-annually

526,651

Secured Loan - NBRS Financial

Total authorized and issued as of June 30, 2011 - \$42,598.

Principal paid through June 30, 2011 - \$38,820. Interest at 4.5%. Monthly principal and interest payments of \$1,268 through October 2011. Loan is secured by 2 police vehicles.

3,778

Secured Loan - NBRS Financial

Total authorized and issued as of June 30, 2011 - \$81,000.

Principal paid through June 30, 2011 - \$14,830. Interest at 4.88%. Monthly principal and interest payments of \$2,426 through November 2013. Loan is secured by town vehicles.

66,170

Secured Loan - NBRS Financial

Total authorized as of June 30, 2011 - \$76,000. Total Issued as of June 30, 2011 - \$30,135. Principal paid through June 30, 2011 - \$7,762. Interest at 5.39%. Monthly principal and interest payments of \$1,091 through November 2017. Loan is secured by town vehicles.

22,373

Total Governmental Activities

1,744,739

Business-Type Activities:

Maryland Water Quality Financing Administration, Series 2002 Bonds

Total authorized as of June 30, 2011 - \$1,861,600. Issued as of

June 30, 2011 - \$1,698,717. Principal repaid through

June 30, 2011 - \$772,479. Interest at 0.5%, paid semi-annually.

Principal to be repaid in annual installments through February, 2032.

1,288,918

Maryland Water Quality Financing Administration, Series 2002 Bonds

Total authorized as of June 30, 2011 - \$1,070,762. Issued as of

June 30, 2011 - \$461,251. Principal repaid through

June 30, 2011 - \$362,680. Interest at 0.5%, paid semi-annually.

Principal to be repaid in annual installments through February, 2013.

98,571

TOWN OF RISING SUN

Notes To Financial Statements June 30, 2011

8. Long-Term Debt (continued)

PNC Bank – Bond Anticipation Note

Total authorized and issued as of June 30, 2011 - \$13,100,000.

Principal repaid through June 30, 2011 \$-0-. Interest at 2.23%, paid quarterly. Interest only payments of \$73,033 through November, 2013. Principal payment of \$13,100,000 due November 15, 2013.

\$ 13,100,000

Total Business-Type Activities 14,487,489

Total Long-Term Debt \$ 16,232,228

During the year ended June 30, 2011, the following changes occurred in Long-Term Debt:

	Balance 6/30/10	Issued	Retired	Balance 06/30/11
Governmental Activities	\$ 1,775,079	\$ 111,135	\$ 141,475	\$ 1,744,739
Business-Type Activities	<u>1,534,889</u>	<u>13,100,000</u>	<u>147,400</u>	<u>14,487,489</u>
Totals	<u>\$ 3,309,968</u>	<u>\$ 13,211,135</u>	<u>\$ 288,875</u>	<u>\$ 16,232,228</u>

Future debt service requirements are as follows:

Years Ending June 30	Governmental Activities		Business-Type Activities	
	Principal Maturing	Interest Payable	Principal Maturing	Interest Payable
2012	\$ 142,276	\$ 64,450	\$ 112,572	\$ 298,786
2013	142,417	58,245	105,736	298,240
2014	116,413	52,595	13,160,318	115,244
2015	105,985	48,978	60,620	5,393
2016	107,493	45,547	60,923	5,089
2017 through 2021	432,734	173,914	309,213	20,834
2022 through 2026	286,389	111,215	317,022	13,007
2027 through 2031	348,662	48,938	325,356	4,981
2032	<u>62,369</u>	<u>1,191</u>	<u>35,729</u>	<u>89</u>
Totals	<u>\$ 1,744,738</u>	<u>\$ 605,073</u>	<u>\$ 14,487,489</u>	<u>\$ 761,663</u>

TOWN OF RISING SUN

Notes To Financial Statements June 30, 2011

9. Contingent Liability

On September 28, 2010, the USDA Rural Development office approved the Town for a loan of \$13,098,500 for the wastewater treatment plant upgrade. The plant is currently in the bid process for the project, with construction expected to begin in 2012. The loan will be amortized over 40 years with a 2.375% fixed interest rate. Payments will be made on a quarterly basis. The Town is also obligated to issue a general obligation bond for the total amount borrowed. Interim financing for the project has been obtained through a local bank in anticipation of the funds from USDA upon completion of the project. Total funds borrowed as of June 30, 2011 total \$13,100,000. Of this balance, \$12,661,611 is held in money market funds for future costs, and is included in the total cash and cash equivalents in the Utility Fund as of June 30, 2011.

In addition, the Maryland Department of the Environment also has approved \$800,000 in grant funds for the project, to be received during the construction phase of the project.

10. Subsequent Event

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through November 18, 2011, the date the financial statements were available to be issued.

On November 14, 2011, PNC pledged collateral of \$12,497,376 to fully collateralize the public funds held at their institution. Upon issuance of this collateral, the Town was once again in compliance with its stated investment policies and the Annotated Code of the State of Maryland

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, 2011

	Original and Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 862,332	\$ 884,257	\$ 21,925
Other local taxes	127,529	182,715	55,186
Licenses & permits	680	110	(570)
Intergovernmental - Federal	23,500	- 0 -	(23,500)
Intergovernmental - State	83,008	46,961	(36,047)
Intergovernmental - County	70,952	71,807	855
Other grants & contributions	5,750	- 0 -	(5,750)
Charges for service - Public safety	4,400	5,766	1,366
Charges for service - Waste collection	128,263	150,631	22,368
Charges for service - Streets and sidewalks	11,500	3,778	(7,722)
Charges for service - General	4,200	- 0 -	(4,200)
Charges for service - Planning & zoning	35,700	820	(34,880)
Charges for service - Parks & recreation	298,200	525	(297,675)
Investment earnings	4,215	21,345	17,130
Miscellaneous	58,581	9,065	(49,516)
TOTAL REVENUES	<u>1,718,810</u>	<u>1,377,780</u>	<u>(341,030)</u>
EXPENDITURES			
General government services	173,526	271,149	(97,623)
Public safety - Police	625,308	539,544	85,764
Public safety - Code enforcement	81,478	45,778	35,700
Public works - General	105,987	142,913	(36,926)
Public works - Streets & sidewalks	52,105	21,869	30,236
Public works - Solid waste collection	199,146	168,081	31,065
Parks & recreation	337,845	25,860	311,985
Disaster Response	29,500	- 0 -	29,500
Debt service - Principal	141,475	141,475	- 0 -
Debt service - Interest	58,263	61,107	(2,844)
TOTAL EXPENDITURES	<u>1,804,633</u>	<u>1,417,776</u>	<u>386,857</u>
OTHER FINANCING SOURCES			
Proceeds from long-term debt	<u>85,823</u>	<u>111,135</u>	<u>25,312</u>
TOTAL OTHER FINANCING SOURCES	<u>85,823</u>	<u>111,135</u>	<u>25,312</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ - 0 -</u>	<u>\$ 71,139</u>	<u>\$ 71,139</u>

See accompanying notes to financial statements