

TOWN OF RISING SUN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

TOWN OF RISING SUN

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Independent Auditors' Report

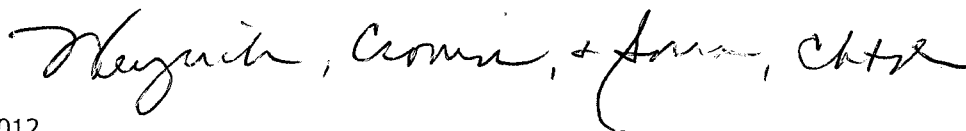
To the Mayor and Town Commissioners
Rising Sun, Maryland

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, 2012, 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, 2012 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 28 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.



October 29, 2012



TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2012

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, 2012. 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 \$6,898,557 (net assets). Of this amount, \$1,536,803 may be used to meet the Town's ongoing obligations to citizens and creditors.

- Total net assets of the primary government increased \$61,728. The net assets of governmental activities increased \$82,368 from the previous year, while the net assets from business activities decreased \$20,640.
- At the close of the current fiscal year, the Town's governmental general fund reported ending fund balance of \$270,447, of which \$257,894 is unassigned and available for spending at the Town's discretion.
- The total cost of all of the Town's programs was \$2,266,341 for the year ended June 30, 2012.

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-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2012

- *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 fund statements are from a short-term perspective, and the activities statement shows 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 funds 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, 2012

Financial Analysis of the Government as a Whole

Net Assets. As noted earlier, the Town of Rising Sun's net assets exceeded liabilities by \$6,898,557. 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current Assets	\$ 317,608	\$ 255,975	\$ 13,882,539	\$ 14,314,139	\$ 14,200,147	\$ 14,570,114
Capital Assets, Net	2,803,134	2,934,797	5,931,271	5,656,450	8,734,405	8,591,247
Total Assets	<u>3,120,742</u>	<u>3,190,772</u>	<u>19,813,810</u>	<u>19,970,589</u>	<u>22,934,552</u>	<u>23,161,361</u>
Current Liabilities	184,638	189,625	127,124	157,527	311,762	347,152
Long-Term Liabilities	<u>1,455,052</u>	<u>1,602,463</u>	<u>14,269,181</u>	<u>14,374,917</u>	<u>15,724,233</u>	<u>15,977,380</u>
Total Liabilities	<u>1,639,690</u>	<u>1,792,088</u>	<u>14,396,305</u>	<u>14,532,444</u>	<u>16,035,995</u>	<u>16,324,532</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	1,210,605	1,190,058	4,151,149	3,830,572	5,361,754	5,020,630
Unrestricted	<u>270,447</u>	<u>208,626</u>	<u>1,266,356</u>	<u>1,607,573</u>	<u>1,536,803</u>	<u>1,816,199</u>
Net Assets	<u>\$ 1,481,052</u>	<u>\$ 1,398,684</u>	<u>\$ 5,417,505</u>	<u>\$ 5,438,145</u>	<u>\$ 6,898,557</u>	<u>\$ 6,836,829</u>

The largest component of the Town's net assets, \$5,361,754, 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 \$341,124 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 \$1,536,803. These funds are available for the general use of the Town to conduct its normal business. Unrestricted assets for governmental activities increased by \$61,821, while unrestricted net assets for business-type activities decreased \$341,217, for a total decrease of \$279,396 from fiscal year 2011.

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2012

Changes in Net Assets. As shown in the following schedule, the Town's governmental net assets increased \$61,821.

Revenue	2012	2011
Taxes - Local Property	\$ 867,971	\$ 884,257
Taxes - Other Local	196,813	182,715
Licenses & Permits	4,405	110
Intergovernmental - Federal	41,244	-
Intergovernmental - State	48,716	46,961
Intergovernmental - County	71,900	71,807
Charges for Services - Public Safety	3,181	5,766
Charges for Services - Waste Collection	158,521	150,631
Charges for Services - Planning & Zoning	8,107	3,778
Charges for Services - Street & Sidewalks	196	820
Charges for Services - Parks & Recreation	2,855	525
Investment Earnings	15,887	21,345
Miscellaneous	9,067	9,065
Total Revenues	1,428,863	1,377,780
Expenditures		
General Government Services	215,542	271,149
Public Safety - Police	496,373	539,544
Public Safety - Code Enforcement	54,765	45,778
Public Works - General	102,576	142,913
Public Works - Streets & Sidewalks	44,285	21,869
Public Works - Solid Waste Collection	174,198	168,081
Parks & Recreation	28,761	25,860
Disaster Responses	389	-
Capital Expenditures	52,580	-
Debt Service - Principal	182,156	141,475
Debt Service - Interest	45,363	61,107
Total Expenditures	1,396,988	1,417,776
Other Financing Sources		
Proceeds from Long-Term Debt	29,946	111,135
Total Other Financing Sources	29,946	111,135
Increase (decrease) in Net Assets	\$ 61,821	\$ 71,139

The net assets of the government-wide activities increased \$61,821. The revenue from government-wide activities increased 4%, while the expenditures decreased 1%. The Town's decrease in expenditures is due to the efforts by the Town to reduce expenditures.

For the fiscal year ended June 30, 2012, revenues from government-wide activities totaled \$1,428,863. Property and personal property taxes represented the largest revenue source (61%), followed by other local taxes (14%) and charges for services-waste collection (11%).

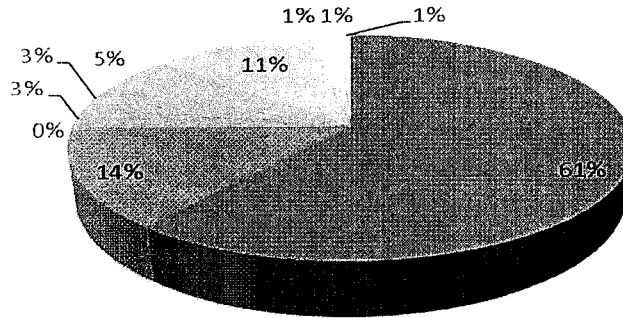
The largest components of the governmental activities' expenditures of \$1,396,998 are general government (15%), public safety-police (36%), and public works-solid waste collection (13%).

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2012

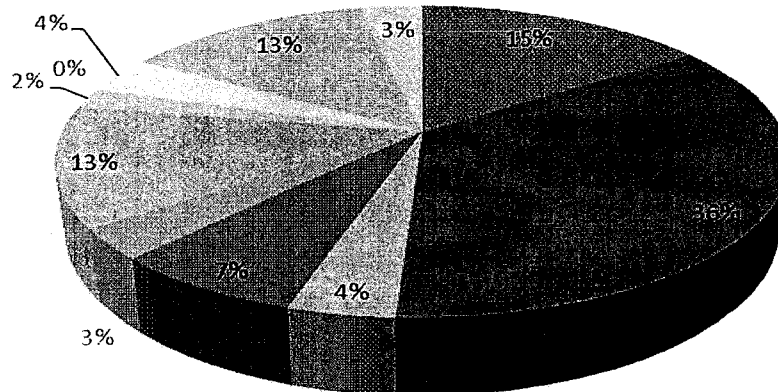
The following charts depict revenues and expenditures of the government-wide activities for the fiscal year.

Revenues-Government-wide Activities Fiscal Year Ending June 30, 2012



- Taxes - Local Property 61%
- Taxes - Other Local 14%
- Licenses & Permits 0%
- Intergovernmental - State 3%
- Intergovernmental - County 5%
- Charges for Services - Waste Collection 11%
- Charges for Other Services 1%
- Investment Earnings 1%
- Miscellaneous 1%

Expenditures-Government-wide Activities Fiscal Year Ending June 30, 2012



- General Government Services -15%
- Public Safety - Police 36%
- Public Safety - Code Enforcement 4%
- Public Works - General 7%
- Public Works - Solid Waste Collection 13%
- Parks & Recreation 2%
- Disaster Response 0%
- Capital Expenditures 4%
- Debt Service - Principal 13%
- Debt Service - Interest 3%

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2012

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 balances may serve as a useful measure of the 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 a combined ending fund balance of \$270,447, a net increase of \$61,821 from the prior year. \$257,894 of the ending fund balances constitutes unassigned fund balances and \$12,553 is in a nonspendable form.

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 funds at year end were \$5,417,505. Net assets invested in capital assets, net of related debt, were \$4,151,149, and unrestricted net assets were \$1,266,356. 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 \$297,095 (17%) 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 2013.

Actual expenditures were below budgeted spending by \$328,970 (19%). 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 2013.

Capital Assets and Long-Term Debt

Capital Assets. As of June 30, 2012, the Town had invested \$8,734,405, net of accumulated depreciation, in a broad range of capital assets. Depreciation and depletion charges for this fiscal year totaled \$412,172.

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2012

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

- The \$486,700 of infrastructure – water & sewer.

The following table depicts the Town's capital assets:

	June 30, 2012			June 30, 2011		
	Governmental	Proprietary	Total	Governmental	Proprietary	Total
Capital Assets, at Cost	\$ 4,354,292	\$ 8,386,089	\$ 12,740,381	\$ 4,301,712	\$ 7,883,339	\$ 12,185,051
Less: Accum. Depreciation	1,551,158	2,454,818	4,005,976	1,366,915	2,226,889	3,593,804
Net Capital Assets	\$ 2,803,134	\$ 5,931,271	\$ 8,734,405	\$ 2,934,797	\$ 5,656,450	\$ 8,591,247

Long-Term Debt. At the end of current fiscal year, the Town had total long-term debt of \$15,967,446, of which \$243,213 is due within one year, and the remaining \$15,724,233 is due in subsequent years. \$1,592,529 of the debt was related to governmental activities, and \$14,374,917 was related to business-type activities. All business-type debt is bonded and backed by the full faith and credit of the state government.

The Town's debt had a total net decrease of \$264,782 during the fiscal year, as a result of purchase issuing of debt of \$29,946 in governmental activities for a new vehicle. The Town also retired debt of \$294,728.

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, 2012

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 101,883	\$ 1,147,254	\$ 1,249,137
Investments	89,954	- 0 -	89,954
Taxes receivable	36,748	- 0 -	36,748
Service charges receivable	18,608	135,948	154,556
Due from the State of Maryland	39,836	- 0 -	39,836
Other receivables	18,296	500	18,796
Prepaid expenses	12,553	3,772	16,325
Internal balances	(270)	270	- 0 -
TOTAL CURRENT ASSETS	<u>317,608</u>	<u>1,287,744</u>	<u>1,605,352</u>
NONCURRENT ASSETS			
Restricted cash	- 0 -	12,594,795	12,594,795
Capital assets, net of accumulated depreciation	<u>2,803,134</u>	<u>5,931,271</u>	<u>8,734,405</u>
TOTAL ASSETS	<u>3,120,742</u>	<u>19,813,810</u>	<u>22,934,552</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	47,161	21,388	68,549
Current portion, notes payable	<u>137,477</u>	<u>105,736</u>	<u>243,213</u>
TOTAL CURRENT LIABILITIES	<u>184,638</u>	<u>127,124</u>	<u>311,762</u>
NONCURRENT LIABILITIES			
Notes payable, net of current portion	<u>1,455,052</u>	<u>14,269,181</u>	<u>15,724,233</u>
TOTAL LIABILITIES	<u>1,639,690</u>	<u>14,396,305</u>	<u>16,035,995</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,210,605	4,151,149	5,361,754
Unrestricted	<u>270,447</u>	<u>1,266,356</u>	<u>1,536,803</u>
TOTAL NET ASSETS	<u>\$ 1,481,052</u>	<u>\$ 5,417,505</u>	<u>\$ 6,898,557</u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Activities
For the Year Ended June 30, 2012

Net Revenue (Expense) and
Changes in Net Assets
Primary Government

FUNCTIONS/PROGRAM ACTIVITIES	Program Revenues				Net Revenue (Expense) and Changes in Net Assets Primary Government		
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General government	\$ 236,908	\$ -0-	\$ -0-	\$ -0-	\$ (236,908)	\$ -0-	\$ (236,908)
Public safety - police	541,209	3,181	23,591	40,535	(473,902)	-0-	(473,902)
Public safety - planning, zoning & code enforcement	54,765	8,107	-0-	-0-	(46,658)	-0-	(46,658)
Public works - general	117,502	196	-0-	-0-	(117,306)	-0-	(117,306)
Public works - streets	134,454	-0-	25,125	-0-	(109,329)	-0-	(109,329)
Public works - solid waste collection	175,378	158,521	9,574	-0-	(7,283)	-0-	(7,283)
Parks and recreation	40,527	2,855	-0-	-0-	(37,672)	-0-	(37,672)
Disaster response	389	-0-	709	-0-	320	-0-	320
Interest on long-term debt	45,363	-0-	-0-	-0-	(45,363)	-0-	(45,363)
Total Governmental Activities	1,346,495	172,860	58,999	40,535	(1,074,101)	-0-	(1,074,101)
Business Type Activities:							
Water and sewer system	919,846	828,953	-0-	20,978	-0-	(69,915)	(69,915)
TOTAL PRIMARY GOVERNMENT	\$ 2,266,341	\$ 1,001,813	\$ 58,999	\$ 61,513	(1,074,101)	(69,915)	(1,144,016)
GENERAL REVENUES:							
Real and personal property taxes		867,971			867,971	-0-	867,971
Income and other local taxes		196,813			196,813	-0-	196,813
Traders licenses		4,405			4,405	-0-	4,405
Grants and contributions not restricted to specific programs		62,326			62,326	-0-	62,326
Unrestricted investment earnings		15,887			15,887	30,191	46,078
Miscellaneous		9,067			9,067	19,084	28,151
TOTAL GENERAL REVENUES		1,156,469			1,156,469	49,275	1,205,744
CHANGE IN NET ASSETS		82,368			82,368	(20,640)	61,728
NET ASSETS - BEGINNING OF YEAR		1,398,684			1,398,684	5,438,145	6,836,829
NET ASSETS - ENDING OF YEAR		\$ 1,481,052			\$ 1,481,052	\$ 5,417,505	\$ 6,898,557

See accompanying notes to financial statements

TOWN OF RISING SUN

Balance Sheet Governmental Funds June 30, 2012

	General Fund
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 101,883
Investments	89,954
Taxes receivable	36,748
Service charges receivable	18,608
Due from State of Maryland	39,836
Other receivables	18,296
Prepaid expenses	<u>12,553</u>
TOTAL ASSETS	<u>\$ 317,878</u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 47,161
Due to water and sewer proprietary fund	<u>270</u>
TOTAL LIABILITIES	<u>47,431</u>
FUND BALANCES	
Nonspendable	12,553
Unassigned	<u>257,894</u>
TOTAL FUND BALANCES	<u>270,447</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 317,878</u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Activities June 30, 2012

FUND BALANCE - GOVERNMENTAL FUNDS \$ 270,447

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

Capital assets used in Governmental Activities are not financial
resources, and therefore, are not reported in the
governmental funds:

Governmental capital assets	\$ 4,354,292	
Less accumulated depreciation	<u>(1,551,158)</u>	
Net Capital Assets		2,803,134

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

General obligation debt	<u>(1,592,529)</u>	
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,481,052</u>	
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TOWN OF RISING SUN

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2012

	General Fund
REVENUES	
Taxes - local property	\$ 867,971
Taxes - income and other local	196,813
Licenses and permits	4,405
Intergovernmental - federal	41,244
Intergovernmental - state	48,716
Intergovernmental - county	71,900
Charges for service - public safety	3,181
Charges for service - waste collection	158,521
Charges for service - planning, zoning & code enforcement	8,107
Charges for service - public works	196
Charges for service - parks and recreation	2,855
Investment earnings	15,887
Miscellaneous	9,067
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Total Revenues	1,428,863
EXPENDITURES	
Current operating	
General government	215,542
Public safety - police	496,373
Public safety - planning, zoning & code enforcement	54,765
Public works - general	102,576
Public works - streets and sidewalks	44,285
Public works - solid waste collection	174,198
Parks and recreation	28,761
Disaster response	389
Capital expenditures	52,580
Debt service - principal	182,156
Debt service - interest	45,363
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Total Expenditures	1,396,988
EXCESS OF REVENUES OVER EXPENDITURES	31,875
OTHER FINANCING SOURCES AND USES	
Loan proceeds	29,946
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NET CHANGE IN FUND BALANCES	61,821
FUND BALANCES - BEGINNING	208,626
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FUND BALANCES - ENDING	\$ 270,447
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See accompanying notes to financial statements

TOWN OF RISING SUN

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities For the Year Ended June 30, 2012

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	61,821
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Amounts reported for governmental activities in the Statement of Activities
are different because of the following:

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 expense of \$184,243 exceeded capital expenditures of \$52,580 in the current period.	(131,663)
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Proceeds from notes payable of \$29,946, net of principal payments of \$182,156, were utilized to acquire capital assets.	<u>152,210</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$</u>	<u>82,368</u>
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TOWN OF RISING SUN

Statement of Net Assets Major Proprietary Funds June 30, 2012

	<u>Total</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,147,254
Service charges receivable	135,948
Other receivables	500
Prepaid expenses	3,772
Due from general fund	<u>270</u>
TOTAL CURRENT ASSETS	<u>1,287,744</u>
NONCURRENT ASSETS	
Restricted cash	12,594,795
Capital assets, net of accumulated depreciation	<u>5,931,271</u>
TOTAL NONCURRENT ASSETS	<u>18,526,066</u>
TOTAL ASSETS	<u>19,813,810</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	21,388
Current portion, notes payable	<u>105,736</u>
TOTAL CURRENT LIABILITIES	<u>127,124</u>
NONCURRENT LIABILITIES	
Notes payable, net of current portion	<u>14,269,181</u>
TOTAL LIABILITIES	<u>14,396,305</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,151,149
Unrestricted	<u>1,266,356</u>
TOTAL NET ASSETS	<u>\$ 5,417,505</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, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Service fees	\$ 388,206	\$ 440,747	\$ 828,953
Rents and miscellaneous	19,084	- 0 -	19,084
Total Operating Revenue	<u>407,290</u>	<u>440,747</u>	<u>848,037</u>
OPERATING EXPENSES			
Chemicals and testing	17,643	9,136	26,779
Contracted services and engineering	22,148	20,093	42,241
Depreciation	126,288	101,642	227,930
Fines	- 0 -	11,150	11,150
Other administrative expenses	61,593	72,446	134,039
Payroll taxes and fringe benefits	41,988	40,653	82,641
Repairs and maintenance	12,699	4,972	17,671
Salaries and wages	140,744	140,983	281,727
Supplies and materials	3,817	4,125	7,942
Utilities and telephone	37,434	23,563	60,997
Vehicle expenses	7,302	7,268	14,570
Total Operating Expenses	<u>471,656</u>	<u>436,031</u>	<u>907,687</u>
OPERATING INCOME (LOSS)	<u>(64,366)</u>	<u>4,716</u>	<u>(59,650)</u>
NONOPERATING REVENUES (EXPENSES)			
Grants	20,978	- 0 -	20,978
Interest income	491	29,700	30,191
Interest expense	(9,441)	(2,718)	(12,159)
Total Nonoperating Revenue	<u>12,028</u>	<u>26,982</u>	<u>39,010</u>
CHANGE IN NET ASSETS	(52,338)	31,698	(20,640)
TOTAL NET ASSETS - BEGINNING	<u>1,954,987</u>	<u>3,483,158</u>	<u>5,438,145</u>
TOTAL NET ASSETS - ENDING	<u>\$ 1,902,649</u>	<u>\$ 3,514,856</u>	<u>\$ 5,417,505</u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Cash Flows - Proprietary Funds For the Year Ended June 30, 2012

	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,017,335
Cash paid to suppliers for goods and services	(342,728)
Cash paid to employees for services	<u>(364,368)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>310,239</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Repayment of interfund activity from general fund	<u>24,227</u>
NET CASH FROM NON-CAPITAL FINANCING ACTIVITIES	<u>24,227</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Repayments of bonds	(112,572)
Grant funds utilized for capital expenditures	20,978
Acquisition of property, plant and equipment	(502,750)
Interest payments and administrative fees paid on bond	<u>(12,159)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(606,503)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>30,191</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>30,191</u>
NET DECREASE IN CASH	(241,846)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING	<u>13,983,895</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - ENDING	<u>\$ 13,742,049</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating income (loss)	\$ (59,650)
Add depreciation and amortization expense	227,930
(Increase) decrease in current assets	
Accounts receivable	169,298
Prepaid expenses	(3,772)
Increase (decrease) in current liabilities	
Accounts payable	<u>(23,567)</u>
Net Cash From Operating Activities	<u>\$ 310,239</u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2012

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.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

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.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2012

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.

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

Compensated Absences - Since accumulated unpaid vacation and sick leave are 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 reduce this category.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2012

1. Summary of Significant Accounting Policies (continued)

Net Assets (continued) –

Restricted Net Assets

This category represents the net assets of the Town which have been restricted for a specific project or purpose by a third party. As of June 30, 2012, 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.

Restricted

This category includes amounts constrained by an external party, constitutional provision or enabling legislation. As of June 30, 2012, 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, 2012, 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, 2012, 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.

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

TOWN OF RISING SUN
Notes to Financial Statements
June 30, 2012

2. Cash and Cash Equivalents and Restricted Cash

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>
Cash on Hand	\$ 60	
Insured (FDIC)	376,736	\$ 488,363
Uninsured, Collateral Held By Pledging Banks		
Trust Departments In Town's Name	12,437,599	12,438,376
MD Local Government Investment Pool	<u>1,029,537</u>	<u>1,029,537</u>
 Total Deposits	 \$ <u>13,843,932</u>	 \$ <u>13,956,276</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.

As of June 30, 2012, the Town was in compliance with this policy.

The Town has a restricted cash balance totaling \$12,594,795. These funds were initially received as a result of the PNC Bank – Bond Anticipation Note (see Note 9). Use of these funds is restricted to costs associated with the wastewater treatment plant upgrade.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2012

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. Fair market value has been determined by quoted market prices of the underlying securities (all Level 1 Measurements).

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 2012 was \$691,226. The employees' contributions to the plan for fiscal 2012 was \$21,934. All employee contributions are fully vested. There is no obligation or provision for employees to contribute to the plan.

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, 2012, the Town matched employees' contributions of up to 3%, for a total contribution of \$13,310 for the current year.

The Town has a 401(a) plan to which it can contribute a discretionary 2% of the employee's salary. No discretionary contribution was authorized for the fiscal year ended June 30, 2012.

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 8. Settlement amounts have not exceeded insurance coverage for the current year or for the three prior years.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2012

6. Capital Assets

Capital asset activity for the year ended June 30, 2012 is as follows:

	6/30/11	Additions	Dispositions	6/30/12
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	3,975	- 0 -	1,368,647
Machinery, equipment and vehicles	749,380	48,605	- 0 -	797,985
Total	<u>4,301,712</u>	<u>52,580</u>	<u>- 0 -</u>	<u>4,354,292</u>
Less: Accumulated Depreciation				
Land	- 0 -	- 0 -	- 0 -	- 0 -
Buildings and improvements	304,306	31,022	- 0 -	335,328
Land improvements	156,567	11,239	- 0 -	167,806
Infrastructure - sidewalks, streets	310,669	89,626	- 0 -	400,295
Machinery, equipment and vehicles	595,373	52,356	- 0 -	647,729
Total Governmental Activities	<u>1,366,915</u>	<u>184,243</u>	<u>- 0 -</u>	<u>1,551,158</u>
Net Capital Assets -				
Governmental Activities	<u>\$ 2,934,797</u>			<u>\$ 2,803,134</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 21,366
Public Safety - Police	44,836
Public Works - General	14,926
Public Works - Streets	90,169
Public Works - Solid Waste Collection	1,180
Parks & Recreation	11,766
Total	<u>\$ 184,243</u>

	6/30/11	Additions	Dispositions	6/30/12
BUSINESS-TYPE ACTIVITIES:				
Land	\$ 105,491	\$ - 0 -	\$ - 0 -	\$ 105,491
Water tanks, mains, wells and plant	3,535,554	11,842	- 0 -	3,547,397
Construction in progress - water system improvements	- 0 -	130,533	- 0 -	130,533
Sewer system and improvements	3,213,103	38,271	- 0 -	3,251,374
Construction in progress - sewer system improvements	593,554	306,054	- 0 -	899,608
Machinery, equipment and vehicles	435,636	16,050	- 0 -	451,686
Total	<u>7,883,339</u>	<u>502,750</u>	<u>- 0 -</u>	<u>8,386,089</u>
Less: Accumulated Depreciation				
Land	- 0 -	- 0 -	- 0 -	- 0 -
Water tanks, mains and plants	979,835	107,736	- 0 -	1,087,571
Construction in progress - water system improvements	- 0 -	- 0 -	- 0 -	- 0 -
Sewer system and improvements	994,070	83,597	- 0 -	1,077,667
Construction in progress - sewer system improvements	- 0 -	- 0 -	- 0 -	- 0 -
Machinery, equipment and vehicles	252,984	36,596	- 0 -	289,580
Total Business-Type Activities	<u>2,226,889</u>	<u>227,929</u>	<u>- 0 -</u>	<u>2,454,818</u>
Net Capital Assets -				
Business-Type Activities	<u>\$ 5,656,450</u>			<u>\$ 5,931,271</u>

Total capitalized interest included in construction in progress - sewer system improvements was \$ 219,098 for the year ended June 30, 2012.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2012

7. Long-Term Debt

Long-Term Debt at June 30, 2012 consists of:

Governmental Activities:

Mortgage Loan - NBRS Financial

Total authorized and issued as of June 30, 2012 - \$1,398,427.

Principal repaid through June 30, 2012 - \$315,641.

Interest at 2.44%, adjustable every three years. Monthly principal and interest payments of \$5,758 through April, 2032. Loan is secured by certain real property.

\$ 1,082,786

Capital Improvement Loan - NBRS Financial

Total authorized and issued as of June 30, 2012 - \$658,314. Principal paid through June 30, 2012 - \$230,410 - 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 January 1, 2012 through January 2019. Interest is paid semi-annually

427,904

Secured Loan - NBRS Financial

Total authorized and issued as of June 30, 2012 - \$81,000.

Principal paid through June 30, 2012 - \$41,253. Interest at

4.88%. Monthly principal and interest payments of \$2,426 through November 2013. Loan is secured by town vehicles.

39,747

Secured Loan - NBRS Financial

Total authorized as of June 30, 2012 - \$76,000. Total

Issued as of June 30, 2012 - \$60,081. Principal paid through

June 30, 2012 - \$17,989. Interest at 5.39%. Monthly

principal and interest payments of \$1,091 through November 2017. Loan is secured by town vehicles.

42,092

Total Governmental Activities

1,592,529

Business-Type Activities:

Maryland Water Quality Financing Administration, Series 2002 Bonds

Total authorized as of June 30, 2012 - \$1,861,600. Issued as of

June 30, 2012 - \$1,698,717. Principal repaid through

June 30, 2012 - \$469,518. Interest at 0.5%, paid semi-annually.

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

1,229,199

Maryland Water Quality Financing Administration, Series 2002 Bonds

Total authorized as of June 30, 2012 - \$1,070,762. Issued as of

June 30, 2012 - \$461,251. Principal repaid through

June 30, 2012 - \$415,533. Interest at 0.5%, paid semi-annually.

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

45,718

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2012

7. Long-Term Debt (continued)

PNC Bank – Bond Anticipation Note

Total authorized and issued as of June 30, 2012 - \$13,100,000.

Principal repaid through June 30, 2012 \$-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

14,374,917

Total Long-Term Debt

\$ 15,967,446

During the year ended June 30, 2012, the following changes occurred in Long-Term Debt:

	Balance 6/30/11	Issued	Retired	Balance 06/30/12
Governmental Activities	\$ 1,744,739	\$ 29,946	\$ 182,156	\$ 1,592,529
Business-Type Activities	<u>14,487,489</u>	<u>- 0 -</u>	<u>112,572</u>	<u>14,374,917</u>
Totals	\$ <u>16,232,228</u>	\$ <u>29,946</u>	\$ <u>294,728</u>	\$ <u>15,967,446</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
2013	\$ 137,477	\$ 63,539	\$ 105,736	\$ 298,240
2014	124,379	57,734	13,160,318	115,244
2015	115,323	52,731	60,620	5,393
2016	118,049	47,725	60,923	5,089
2017	116,742	42,284	61,227	4,784
2018 through 2022	343,424	158,694	310,759	19,284
2023 through 2027	297,879	99,725	318,608	11,418
2028 through 2032	<u>339,256</u>	<u>34,973</u>	<u>296,726</u>	<u>3,425</u>
Totals	\$ <u>1,592,529</u>	\$ <u>557,405</u>	\$ <u>14,374,917</u>	\$ <u>462,877</u>

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2012

8. 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. During the year, five counts were dismissed by the courts.

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 finished the engineering and design phase of the project, and is currently beginning construction of the wastewater treatment facility.

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. The Town does not have insurance coverage for the remaining legal claim as the claim remaining is 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 \$20.5 million. Should the Plaintiff prevail, it is estimated that the likelihood of the Town having to pay more than \$1,000,000 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, 2012, the Town paid a total of \$11,150 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 into 2013.

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 Town has completed the engineering and design phase, and has begun construction, which is expected to be completed during the next fiscal year. 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, 2012 total \$13,100,000. Of this balance, \$12,594,795 is held in money market funds for future costs, and is included as restricted cash in the Utility Fund as of June 30, 2012.

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 October 29, 2012, the date the financial statements were available to be issued.

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, 2012

	Original and Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes - local property	\$ 904,979	\$ 867,971	\$ (37,008)
Taxes - income and other local	136,529	196,813	60,284
Licenses & permits	555	4,405	3,850
Intergovernmental - federal	5,000	41,244	36,244
Intergovernmental - state	63,827	48,716	(15,111)
Intergovernmental - county	73,232	71,900	(1,332)
Other grants & contributions	300,126	- 0 -	(300,126)
Charges for service - public safety	5,837	3,181	(2,656)
Charges for service - waste collection	116,593	158,521	41,928
Charges for service - planning, zoning & code enforcement	23,502	8,107	(15,395)
Charges for service - streets and sidewalks	11,000	- 0 -	(11,000)
Charges for service - public works	861	196	(665)
Charges for service - parks & recreation	467	2,855	2,388
Investment earnings	3,629	15,887	12,258
Miscellaneous	17,437	9,067	(8,370)
Prior years surplus	62,384	- 0 -	(62,384)
TOTAL REVENUES	<u>1,725,958</u>	<u>1,428,863</u>	<u>(297,095)</u>
EXPENDITURES			
General government	282,202	215,542	66,660
Public safety - police	507,576	496,373	11,203
Public safety - planning, zoning & code enforcement	62,485	54,765	7,720
Public works - general	102,524	102,576	(52)
Public works - streets & sidewalks	60,757	44,285	16,472
Public works - solid waste collection	179,943	174,198	5,745
Parks & recreation	141,292	28,761	112,531
Disaster response	3,300	389	2,911
Capital expenditures	206,894	52,580	154,314
Debt service - principal	142,276	182,156	(39,880)
Debt service - interest	36,709	45,363	(8,654)
TOTAL EXPENDITURES	<u>1,725,958</u>	<u>1,396,988</u>	<u>328,970</u>
OTHER FINANCING SOURCES			
Proceeds from long-term debt	- 0 -	29,946	29,946
TOTAL OTHER FINANCING SOURCES	<u>- 0 -</u>	<u>29,946</u>	<u>29,946</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ - 0 -</u>	<u>\$ 61,821</u>	<u>\$ 61,821</u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Notes to Required Supplementary Information June 30, 2012

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 a resolution 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.

For budgetary purposes, the Town budgeted a "prior year surplus" of \$62,384 as revenue. This is not considered revenue for GAAP purposes.

Total budgeted revenues	\$1,725,958
Less: prior year surplus	<u>62,384</u>
Total GAAP budgetary revenues	<u>\$1,663,574</u>

The legal level of budgetary control is at the level of general classification of expenditure. The town exceeded its budget at June 30, 2012 as follows:

Public works - general	\$52
Debt service - principal	\$39,880
Debt service - interest	\$8,654