

TOWN OF RISING SUN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

TOWN OF RISING SUN

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management Discussion and Analysis	3 - 8
Statement of Net Position	9
Statement of Activities	10
Balance Sheet - Governmental Funds	11
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position - Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17
Statement of Fiduciary Net Position – Fiduciary Fund	18
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	18
Notes to the Financial Statements	19 - 32
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund (Non-GAAP Budgetary Basis)	33
Notes to Required Supplementary Information	34



Independent Auditors' Report

To the Mayor and Town Commissioners
Town of Rising Sun

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Independent Auditors' Report (continued)

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 33 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, on our consideration of the Town of Rising Sun's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Rising Sun's internal control over financial reporting and compliance

Weyrich, Cronin + Sarra

October 30, 2017
Lutherville, MD

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2017

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, 2017. 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 \$10,466,709 (net position). Of this amount, \$2,062,188 may be used to meet the Town's ongoing obligations to citizens and creditors.

- Total net position of the primary government decreased (\$527,106). This is primarily due to depreciation for the new sewer plant that began operating in the year ended June 30, 2016.
- The net position of governmental activities increased \$333,500 from the previous year, while the net position from business activities decreased (\$860,516) from the previous year due to the sewer project depreciation.
- The total cost of all of the Town's programs was \$3,668,844 for the year ended June 30, 2017.

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 required 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 position presents information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the event causing the change occurs, regardless of the timing of related cash flows.

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).

- *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

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2017

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over specific sources that have been segregated for specific activities or objectives. The Town of Rising Sun uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories, governmental, proprietary and fiduciary.

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

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

- *Proprietary Funds* – When the Town charges customers for the services it provides, these services are generally reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the government-wide Statement of Net Position and the Statement of Activities. Proprietary funds are used to present the same information as business-type functions in the government-wide financial statements.
- *Fiduciary Funds* – The Town is the trustee, or fiduciary, for assets that belong to its employees’ pension plans. These activities are excluded from the government-wide financial statements because the assets cannot be used to finance operations.

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.

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2017

Government-wide Financial Analysis

Net Position: As noted earlier, the Town of Rising Sun's net assets exceeded liabilities by \$10,466,709. Over time, changes in net position serve as a useful indicator of a government's financial position. A year-to-year comparison of net position follows:

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 740,298	\$ 327,760	\$ 2,155,053	\$ 2,688,533	\$ 2,895,351	\$ 3,016,293
Capital assets	3,374,972	3,460,052	20,982,050	20,909,126	24,357,022	24,369,178
Total Assets	4,115,270	3,787,812	23,137,103	23,597,659	27,252,373	27,385,471
Long-term liabilities	1,631,519	1,670,118	14,460,464	13,981,335	16,091,983	15,651,453
Other liabilities	271,814	239,257	421,867	501,036	693,681	740,293
Total Liabilities	1,903,333	1,909,375	14,882,331	14,482,371	16,785,664	16,391,746
Net position						
Net investment in capital assets	1,550,018	1,597,326	6,247,986	6,694,362	7,798,004	8,291,688
Restricted for capital projects	-	-	606,517	605,318	606,517	605,318
Unrestricted	661,919	281,111	1,400,269	1,815,608	2,062,188	2,096,719
Total Net Position	\$ 2,211,937	\$ 1,878,437	\$ 8,254,772	\$ 9,115,288	\$ 10,466,709	\$ 10,993,725
Program Revenue						
Charges for services	\$ 82,847	\$ 234,032	\$ 1,171,260	\$ 1,252,621	\$ 1,254,107	\$ 1,486,653
Grants/contributions	207,880	139,265	12,500	236,956	220,380	376,221
General Revenue						
Income taxes	234,768	304,401	-	-	234,768	304,401
Property taxes	991,852	839,424	-	-	991,852	839,424
Debt service and utility tax	343,618	-	-	-	343,618	-
Miscellaneous Revenue	65,383	105,261	31,720	27,729	97,103	132,990
Total General Revenue	1,635,621	1,249,086	31,720	27,729	1,667,341	1,276,815
Total Revenue and transfer	1,926,348	1,622,383	1,215,480	1,517,306	3,141,828	3,139,689
Expenses						
General government	253,365	238,459	-	-	253,365	238,459
Public safety	702,137	709,717	-	-	702,137	709,717
Public works	553,336	511,696	-	-	553,336	511,696
Parks and recreation	83,653	108,022	-	-	83,653	108,022
Disaster response	357	34,895	-	-	357	34,895
Utilities services	-	-	2,075,996	1,802,657	2,075,996	1,802,657
Transfers	-	-	-	-	-	-
Total Expenses and transfer	1,592,848	1,602,789	2,075,996	1,802,657	3,668,844	3,405,446
Change in net position	333,500	19,594	(860,516)	(285,351)	(527,016)	(265,757)
Adjustments affecting prior periods	-	(26,316)	-	603,782	-	577,466
Net position, beginning of year	1,878,437	1,885,159	9,115,288	8,796,857	10,993,725	10,682,016
Net position, end of year	\$ 2,211,937	\$ 1,878,437	\$ 8,254,772	\$ 9,115,288	\$ 10,466,709	\$ 10,993,725

The largest component of the Town's net position, \$7,798,004, reflects its investment in capital assets (e.g., land, infrastructure, buildings, and equipment), less any related outstanding debt. The decrease in Invested in Capital Assets (Net of Related Debt) of \$493,684 is due to the depreciation of the sewer plant that began operating in the year ended June 30, 2016. 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.

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2017

There is also a restricted fund balance for capital projects of \$606,517.

The remaining portion of net position is an unrestricted net position balance of \$2,062,188. These funds are available for the general use of the Town to conduct its normal business.

The revenue from governmental activities increased by 19%, while the expenses decreased by 1%. The Town's increase in revenue is due to a state storm water grant and the addition of the flat debt service and utility tax previously included in utility billings. The decrease in expenses is due to having no disaster relief, reduced staffing, delays in pay raises, and consistent monitoring, analysis, and assessment of critical and non-critical expense needs across all funds.

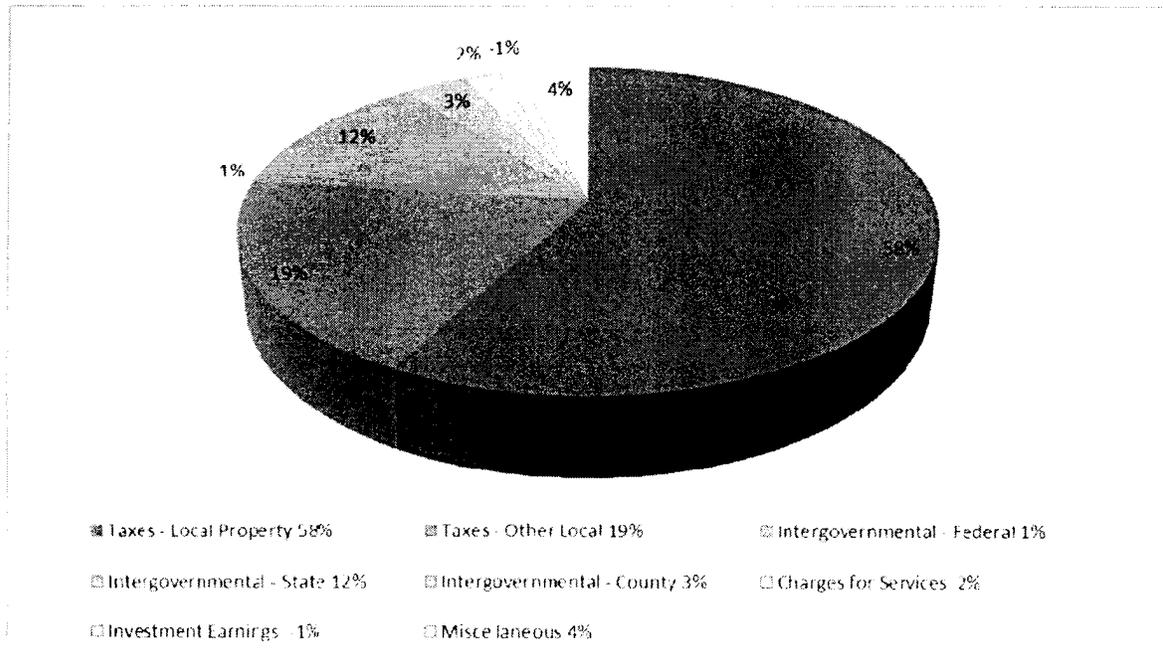
Financial Analysis of the Town's Funds

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 June 30, 2017, the Town's governmental funds reported an ending fund balance of \$617,938, a net increase of \$421,736 from the prior year.

For the fiscal year ended June 30, 2017, revenues from governmental funds totaled \$1,941,320. Property and personal property taxes represented the largest revenue source (58%), followed by other local taxes (19%) and intergovernmental (12%). The following chart depicts revenues of the government funds for the fiscal year.

**Revenues – Governmental Funds
Fiscal Year Ending June 30, 2017**

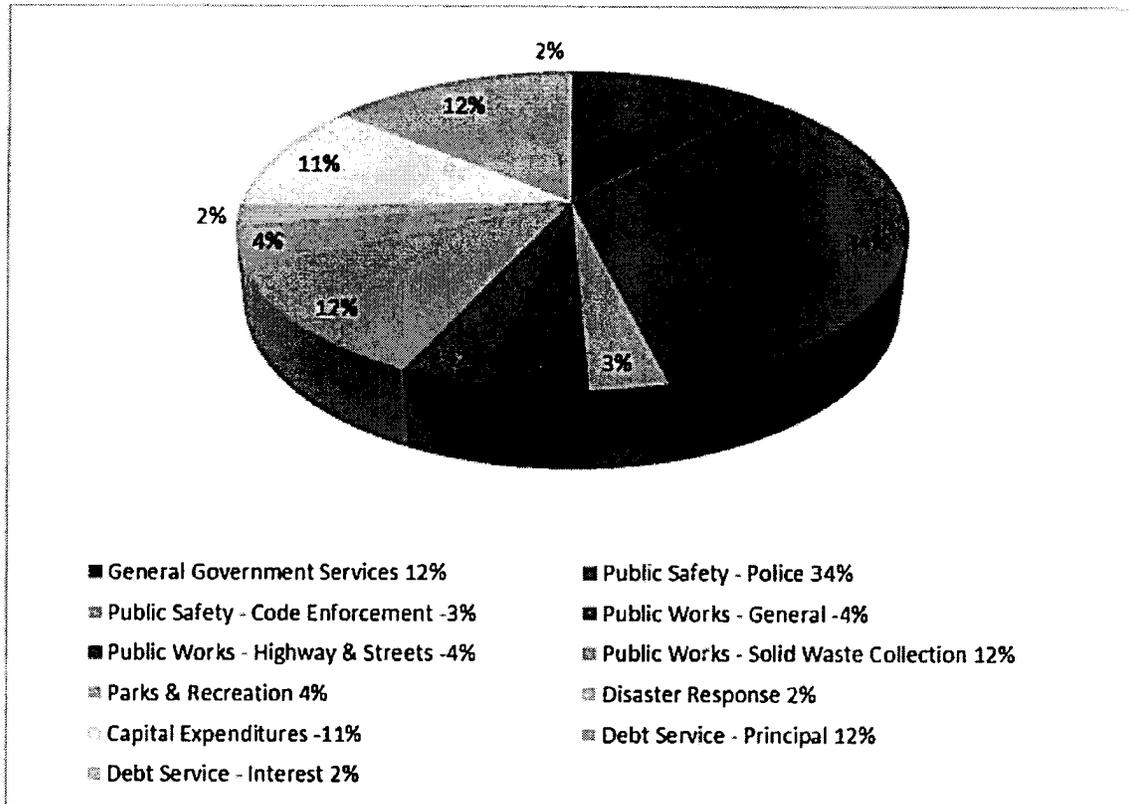


TOWN OF RISING SUN

Management Discussion and Analysis
June 30, 2017

The largest components of the governmental fund expenditures of \$1,694,311 are public safety-police (33%), solid waste collection (13%), and general government (12%). The following chart depicts expenditures of the government activities for the fiscal year.

Expenditures – Governmental Funds Fiscal Year Ending June 30, 2017



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 position of the water and sewer proprietary funds at year end was \$8,254,772. Net investment in capital assets, net of related debt, were \$6,247,986, restricted funds of \$606,517 and remaining unrestricted net position was \$1,400,269. 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 \$205,518 (9%) lower than the amount budgeted. The primary reason for revenues being lower than the budgeted amount was due to the timing of the work performed under the State's Department of Natural Resources (DNR) – Storm Water Management Project and the reimbursement of expenses as part of the DNR grant.

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2017

Actual expenditures were below budgeted spending by \$620,224 (26%). The primary reason that expenditures were below the budgeted amount was a delay in the parks and recreation project.

Capital Assets and Long-Term Debt

Capital Assets: As of June 30, 2017, the Town had invested \$24,357,022, net of accumulated depreciation, in a broad range of capital assets. Depreciation and depletion charges for this fiscal year totaled \$1,116,971.

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

- \$927,030 of infrastructure – water & sewer.

The following table depicts the Town's capital assets:

	June 30, 2017			June 30, 2016		
	Governmental	Proprietary	Total	Governmental	Proprietary	Total
Capital Assets, at Cost	\$ 5,985,863	\$ 25,595,667	\$ 31,581,530	\$ 5,808,078	\$ 24,668,637	\$ 30,476,715
Less: Accum. Depreciation	<u>2,610,891</u>	<u>4,613,617</u>	<u>7,224,508</u>	<u>2,348,026</u>	<u>3,759,511</u>	<u>6,107,537</u>
Net Capital Assets	<u>\$ 3,374,972</u>	<u>\$ 20,982,050</u>	<u>\$ 24,357,022</u>	<u>\$ 3,460,052</u>	<u>\$ 20,909,126</u>	<u>\$ 24,369,178</u>

Long-Term Debt: At the end of the current fiscal year, the Town had total long-term debt of \$16,593,593, of which \$501,556 is due within one year, and the remaining \$16,091,983 is due in subsequent years. \$1,871,829 of the debt was related to governmental activities, and \$14,721,710 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 increase of \$600,391 during the fiscal year, primarily due to the Town now paying the principal on the construction loans for the new wastewater treatment facility, loans for emergency water line repairs, and lease financing for new vehicles and equipment.

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 Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 268,905	\$ 1,283,970	\$ 1,552,875
Restricted cash	- 0 -	616,523	616,523
Investments	95,705	- 0 -	95,705
Accounts receivable - taxes	38,512	- 0 -	38,512
Service charges receivable	16,522	158,383	174,905
Due from other governments	66,679	236,956	303,635
Other receivables	- 0 -	500	500
Prepaid expenses	3,068	3,009	6,077
Loan proceeds held in escrow	106,619	- 0 -	106,619
Internal balances	144,288	(144,288)	- 0 -
	740,298	2,155,053	2,895,351
CAPITAL ASSETS			
Land - nondepreciable	417,807	105,491	523,298
Construction in progress - nondepreciable	- 0 -	1,754,486	1,754,486
Buildings, infrastructure and equipment	5,568,056	23,735,690	29,303,746
Less: accumulated depreciation	(2,610,891)	(4,613,617)	(7,224,508)
	3,374,972	20,982,050	24,357,022
TOTAL ASSETS	4,115,270	23,137,103	27,252,373
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	31,504	150,621	182,125
Amounts held in escrow	- 0 -	10,000	10,000
Current portion - long term obligations	240,310	261,246	501,556
	271,814	421,867	693,681
NONCURRENT LIABILITIES			
Long term obligations	1,631,519	14,460,464	16,091,983
	1,903,333	14,882,331	16,785,664
NET POSITION			
Net investment in capital assets	1,550,018	6,247,986	7,798,004
Restricted	- 0 -	606,517	606,517
Unrestricted	661,919	1,400,269	2,062,188
	2,211,937	8,254,772	10,466,709
TOTAL NET POSITION	\$ 2,211,937	\$ 8,254,772	\$ 10,466,709

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Activities
For the Year Ended June 30, 2017

FUNCTIONS/PROGRAM ACTIVITIES	Net Revenue (Expense) and Changes in Net Position						
	Program Revenues			Primary Government			
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General government	\$ 253,365	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ (253,365)	\$ - 0 -	\$ (253,365)
Public safety - police	637,500	49,148	39,969	- 0 -	(548,383)	- 0 -	(548,383)
Public safety - planning, zoning & code enforcement	64,637	11,337	- 0 -	- 0 -	(53,300)	- 0 -	(53,300)
Public works - general	85,410	- 0 -	- 0 -	- 0 -	(85,410)	- 0 -	(85,410)
Public works - streets	242,867	- 0 -	62,731	- 0 -	(180,136)	- 0 -	(180,136)
Public works - solid waste collection	225,059	21,277	4,787	- 0 -	(198,995)	- 0 -	(198,995)
Parks and recreation	83,653	1,085	- 0 -	100,393	17,825	- 0 -	17,825
Disaster response	357	- 0 -	- 0 -	- 0 -	(357)	- 0 -	(357)
Total Governmental Activities	1,592,848	82,847	107,487	100,393	(1,302,121)	- 0 -	(1,302,121)
Business Type Activities:							
Water system	592,203	574,595	- 0 -	- 0 -	- 0 -	(17,608)	(17,608)
Sewer system	1,483,793	596,665	12,500	- 0 -	- 0 -	(874,628)	(874,628)
Total Business-Type Activities	2,075,996	1,171,260	12,500	- 0 -	- 0 -	(892,236)	(892,236)
TOTAL PRIMARY GOVERNMENT	\$ 3,668,844	\$ 1,254,107	\$ 119,987	\$ 100,393	(1,302,121)	(892,236)	(2,194,357)
GENERAL REVENUES:							
Real and personal property taxes					991,852	- 0 -	991,852
Debt service and utility tax					343,618	- 0 -	343,618
Income and other local taxes					234,768	- 0 -	234,768
Licenses and permits					7,273	- 0 -	7,273
Grants and contributions not restricted to specific programs					52,861	- 0 -	52,861
Interest and investment income (loss)					(16,574)	4,584	(11,990)
Miscellaneous					21,823	27,136	48,959
TOTAL GENERAL REVENUES					1,635,621	31,720	1,667,341
CHANGE IN NET POSITION					333,500	(860,516)	(527,016)
NET POSITION - BEGINNING OF YEAR					1,878,437	9,115,288	10,993,725
NET POSITION - ENDING OF YEAR					\$ 2,211,937	\$ 8,254,772	\$ 10,466,709

See accompanying notes to financial statements

TOWN OF RISING SUN

Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	
ASSETS		
Cash and cash equivalents	\$	268,905
Investments		95,705
Accounts receivable - taxes		38,512
Service charges receivable		16,522
Due from other governments		66,679
Prepaid expenses		3,068
Loan proceeds held in escrow		106,619
Due from other funds		<u>144,288</u>
TOTAL ASSETS		<u>\$ 740,298</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued expenses	\$	<u>31,504</u>
TOTAL LIABILITIES		<u>31,504</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - income taxes		44,042
Unavailable revenue - property taxes		30,928
Unavailable revenue - service charges		<u>15,886</u>
TOTAL DEFERRED INFLOWS OF RESOURCES		<u>90,856</u>
FUND BALANCES		
Nonspendable		3,068
Assigned		48,411
Unassigned		<u>566,459</u>
TOTAL FUND BALANCES		<u>617,938</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		<u><u>\$ 740,298</u></u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2017

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 617,938

Amounts reported for Governmental Activities in the Statement of Net Position
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	\$ 5,985,863	
Less: accumulated depreciation	(2,610,891)	
Net Capital Assets	<u>3,374,972</u>	3,374,972

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

General obligation debt	(1,824,954)	
Compensated absences	(46,875)	
	<u>(1,871,829)</u>	(1,871,829)

Revenues that will be collected after year-end, but not available
soon enough to pay the current period's expenditures are
reported as deferred inflows of resources in the governmental
funds.

Income taxes	44,042	
Property taxes	30,928	
Service charges	15,886	
	<u>90,856</u>	90,856

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,211,937

TOWN OF RISING SUN

Statement of Revenues, Expenditures and Changes In Fund Balance - Governmental Funds
For the Year Ended June 30, 2017

	General Fund
REVENUES	
Taxes	
Local real and personal property	\$ 1,003,503
Debt service and utility	331,487
Income and other local	238,966
Licenses and permits	18,510
Intergovernmental	
Federal	16,954
State	203,093
County	59,177
Charges for service	17,422
Investment loss	(16,574)
Miscellaneous	68,782
Total Revenues	\$ 1,941,320
EXPENDITURES	
Current operating	
General government	210,517
Public safety - police	553,049
Public safety - planning, zoning & code enforcement	66,160
Public works - general	66,695
Public works - streets and sidewalks	80,754
Public works - solid waste collection	225,206
Parks and recreation	46,371
Capital expenditures	177,785
Debt service - principal	212,499
Debt service - interest	55,275
Total Expenditures	1,694,311
EXCESS OF REVENUES OVER EXPENDITURES	247,009
OTHER FINANCING SOURCES	
Loan proceeds	174,727
NET CHANGE IN FUND BALANCES	421,736
FUND BALANCES - BEGINNING	196,202
FUND BALANCES - ENDING	\$ 617,938

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, 2017

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	421,736
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 \$262,865 exceeded capital expenditures of \$177,785 in the current period.		
		(85,080)
Governmental funds report principal debt payments as expenditures because they use current financial resources. Principal payments reduce long term debt in the Statement of Net Position. This is the amount of principal payments made during the year.		
		212,499
Governmental funds recognize proceeds from financing as an other financing sources. Proceeds increase long term debt in the Statement of Net Position. This is the amount of proceeds from financing during the year.		
		(174,727)
Governmental funds report income that is both measureable and received within 60 days of year end. The Statement of Activities reports revenue when earned. This is the net increase (decrease) in deferred inflows for the year.		
Income taxes	\$	(4,198)
Property taxes		480
Service charges		5,700
Disaster relief		(16,954)
		<u>(14,972)</u>
Governmental funds report compensated absences when paid. However, in the Statement of Activities, they are recorded when earned. This is the excess of amounts earned over the amounts used.		
		<u>(25,956)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$</u>	<u>333,500</u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Net Position - Proprietary Funds
June 30, 2017

	Major Proprietary Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 524,444	\$ 759,526	\$ 1,283,970
Restricted cash	10,006	606,517	616,523
Service charges receivable	78,434	79,949	158,383
Due from other governments	- 0 -	236,956	236,956
Other receivables	- 0 -	500	500
Prepaid expenses	1,533	1,476	3,009
Due from other funds	- 0 -	655,048	655,048
TOTAL CURRENT ASSETS	614,417	2,339,972	2,954,389
CAPITAL ASSETS			
Land - nondepreciable	74,144	31,347	105,491
Construction in progress - nondepreciable	1,754,486	- 0 -	1,754,486
Buildings, infrastructure and equipment	3,988,739	19,746,951	23,735,690
Less: accumulated depreciation	(1,856,642)	(2,756,975)	(4,613,617)
TOTAL CAPITAL ASSETS	3,960,727	17,021,323	20,982,050
TOTAL ASSETS	4,575,144	19,361,295	23,936,439
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	27,443	123,178	150,621
Amounts held in escrow	10,000	- 0 -	10,000
Current portion, long term obligations	61,534	199,712	261,246
Due to other funds	744,899	54,437	799,336
TOTAL CURRENT LIABILITIES	843,876	377,327	1,221,203
NONCURRENT LIABILITIES			
Long term obligations	1,621,869	12,838,595	14,460,464
TOTAL LIABILITIES	2,465,745	13,215,922	15,681,667
NET POSITION			
Net investment in capital assets	2,258,222	3,989,764	6,247,986
Restricted for capital projects	- 0 -	606,517	606,517
Unrestricted	(148,823)	1,549,092	1,400,269
TOTAL NET POSITION	\$ 2,109,399	\$ 6,145,373	\$ 8,254,772

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds For the Year Ended June 30, 2017

	Major Proprietary Funds		
	Water	Sewer	Total
OPERATING REVENUES			
Service fees	\$ 574,595	\$ 596,665	\$ 1,171,260
Operator grant	- 0 -	12,500	12,500
Rents and miscellaneous	5,595	251	5,846
Total Operating Revenue	580,190	609,416	1,189,606
OPERATING EXPENSES			
Chemicals and testing	23,031	24,647	47,678
Contracted services and engineering	66,035	114,716	180,751
Other administrative expenses	102,588	69,233	171,821
Payroll taxes and fringe benefits	44,704	38,027	82,731
Repairs and maintenance	15,472	2,433	17,905
Salaries and wages	127,039	117,142	244,181
Supplies and materials	233	306	539
Utilities and telephone	80,183	87,238	167,421
Vehicle expenses	3,372	3,362	6,734
Depreciation	121,616	732,490	854,106
Total Operating Expenses	584,273	1,189,594	1,773,867
OPERATING INCOME (LOSS)	(4,083)	(580,178)	(584,261)
NONOPERATING REVENUES (EXPENSES)			
Interest income	1,686	2,898	4,584
Cell tower rent	21,290	- 0 -	21,290
Interest and loan fee expense	(7,930)	(294,199)	(302,129)
Total Nonoperating Revenue (Expense)	15,046	(291,301)	(276,255)
CHANGE IN FUND NET POSITION	10,963	(871,479)	(860,516)
TOTAL NET POSITION - BEGINNING	2,098,436	7,016,852	9,115,288
TOTAL NET POSITION - ENDING	\$ 2,109,399	\$ 6,145,373	\$ 8,254,772

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2017

	Major Proprietary Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 566,076	\$ 590,181	\$ 1,156,257
Other cash receipts - operating grants	- 0 -	12,500	12,500
Cash paid to suppliers for goods and services	(344,106)	(354,619)	(698,725)
Cash paid to employees for services	(132,122)	(121,683)	(253,805)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>89,848</u>	<u>126,379</u>	<u>216,227</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Advances from (to) other funds	379,997	118,788	498,785
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>379,997</u>	<u>118,788</u>	<u>498,785</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Repayments of long term debt	(61,228)	(66,941)	(128,169)
Receipts of grants to fund capital projects	- 0 -	621,413	621,413
Proceeds from capital project escrow	10,000	- 0 -	10,000
Proceeds from long term debt	750,000	- 0 -	750,000
Acquisition of property, plant and equipment	(988,790)	(40,771)	(1,029,561)
Interest payments and administrative fees paid on bond	(7,930)	(393,780)	(401,710)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(297,948)</u>	<u>119,921</u>	<u>(178,027)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts of interest and other income	22,977	2,898	25,875
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>22,977</u>	<u>2,898</u>	<u>25,875</u>
NET INCREASE IN CASH	194,874	367,986	562,860
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING	<u>339,576</u>	<u>998,057</u>	<u>1,337,633</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - ENDING	<u>\$ 534,450</u>	<u>\$ 1,366,043</u>	<u>\$ 1,900,493</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (4,083)	\$ (580,178)	\$ (584,261)
Add depreciation and amortization expense	121,616	732,490	854,106
(Increase) decrease in current assets			
Accounts receivable	(14,114)	(6,735)	(20,849)
Prepaid expenses	(1,533)	(1,476)	(3,009)
Increase (decrease) in current liabilities			
Accounts payable and accrued expenses	(12,038)	(17,722)	(29,760)
Net Cash Flows From Operating Activities	<u>\$ 89,848</u>	<u>\$ 126,379</u>	<u>\$ 216,227</u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Fiduciary Net Position - Fiduciary Fund
June 30, 2017

	<u>Employee Benefit Plans</u>
ASSETS	
Investments with fiscal agents	<u>\$ 561,548</u>
NET POSITION	
Held in trust for employee benefit plans	<u>\$ 561,548</u>

Statement of Changes In Fiduciary Net Position - Fiduciary Fund
For the Year Ended June 30, 2017

	<u>Employee Benefit Plans</u>
CONTRIBUTIONS	
Employer	\$ 21,283
Employees	24,635
Investment gains	<u>69,842</u>
Total Contributions	<u>115,760</u>
DISTRIBUTIONS	
Benefits paid	<u>36,946</u>
Total Distributions	<u>36,946</u>
CHANGE IN NET POSITION	78,814
TOTAL NET POSITION - BEGINNING	<u>482,734</u>
TOTAL NET POSITION - ENDING	<u>\$ 561,548</u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies

The Town of Rising Sun, Maryland ("Town") was incorporated in 1860. The Town operates under a Mayor - Commissioner form of government and provides the following services: General Administrative; Public Safety; Public Works; Parks and Recreation; Disaster Response; and Water and Sewer Services. The Town is located in Cecil County Maryland. A substantial portion of the Town's revenue is received from the property and income taxes related to the businesses and residents of the Town, and services provided by its Water and Sewer Systems.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility or the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based on this criteria, the Town has concluded that there are no component unit relationships that are required to be presented in these financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to local governments. The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary 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 tax revenues are recognized in the year for which they are levied, while grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services and facilities; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets, when applicable. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activities column of the government-wide statements incorporates data from governmental funds, while business-type activities incorporate data from the Town's enterprise funds. Separate financial statements are provided for each major governmental, proprietary and fiduciary fund. However, data from the fiduciary fund is not incorporated in the government-wide financial statements.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

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 are both measurable and available. Available means collectible within the current period, or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Major revenue sources susceptible to year-end accruals include: Income tax receipts, property taxes and capital grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). In general, all other revenues are considered to be measurable and available when cash is received.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for services provided. Principal operating expenses are the costs of providing services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Fiduciary funds account for assets held by the Town in a trustee capacity on behalf of others. As such, fiduciary funds are not reported in the government-wide statements.

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. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are reported as reductions to expenses.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. There were no transfers during the year between governmental and business-type activities.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Fund Types and Major Funds

The accounts of the Town are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. There are no non-major funds in either fund category.

The Town maintains the following major governmental fund:

The General Fund - This is the primary operating fund of the Town. It accounts for all of the financial resources and the legally authorized activities of the Town except for those required to be accounted for in other specialized funds. The general fund accounts for the normal operating activities of the Town. These activities are financed primarily by taxes, grants from other governments and charges for services.

The Town reports the following major proprietary funds:

Water Fund - This enterprise fund accounts for the operation of the Town's water service operation. It is intended to be self-supporting through user charges. Activities of the fund include administration, operation and maintenance of the water system and billing and collection activities. The water service operations include water treatment, storage, and distribution systems.

Sewer Fund - This enterprise fund accounts for the operation of the Town's sewer service operation. It is intended to be self-supporting through user charges. Activities of the fund include administration, operation and maintenance of the sewer system and billing and collection activities. The sewer service operations include treatment, storage, and collection systems.

The Town reports the following fiduciary fund:

Employee Benefit Plans - This fund is used to account for assets held in trust for the payment of benefits under the Town of Rising Sun Pension Plan and the Town of Rising Sun 457(b) Eligible Deferred Compensation Plan. This fund is reported using the economic resources measurement focus and the accrual basis of accounting.

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 Mayor and Commissioners. The budget uses the same basis of accounting as used to reflect actual revenues and expenditures.

Cash and Cash Equivalents - Cash and cash equivalents may include demand deposits, money market accounts, investments in the Maryland Local Government Investment Pool and certificates of deposit with an initial maturity date of less than three months.

Restricted Cash - Consists of funds received from USDA which are restricted to fund costs associated with the wastewater treatment plant, as well as amounts held in escrow for projects.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Investments – Consists of donated stocks held by the Town and reported at fair market value based on quoted prices (Level 1 measurements).

Accounts Receivable - Taxes – Consists of real and personal property taxes due to the Town.

Real property taxes are billed and collected on behalf of the Town by Cecil County which remits payment to the Town. As of June 30, 2017, the balance of real property taxes receivable was \$28,005. Of this amount, \$20,421 was not collected within 60 days of year-end and accordingly has been reported as deferred inflows of resources in the general fund.

Personal property taxes are billed and collected by the Town based on assessed values provided by the State of Maryland. As of June 30, 2017, the balance of personal property taxes receivable was \$10,507. Of this amount, \$10,507 was not collected within 60 days of year-end and accordingly has been reported as deferred inflows of resources in the general fund.

Service Charges Receivable – Water and sewer charges are billed and recorded on a monthly basis based on actual usage for the prior month.

Due from Other Governments - Local income taxes, highway user fees and admission and amusement taxes are collected on behalf of the Town by the State of Maryland and are remitted to the Town. Receivables from other governments also consist of amounts arising from transfer payments and amounts due from grantors for specific programs and capital projects.

As of June 30, 2017, the balance of income taxes receivable was \$63,160. Of this amount, \$44,042 was not collected within 60 days of year-end and accordingly has been reported as deferred inflows of resources in the general fund. The remaining amounts of \$3,519 due from other governments were received within the 60 day period.

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

Capital Assets – The Town's property, buildings and facilities with an initial, individual cost of more than \$2,500 and an estimated useful life of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. All land is capitalized. Proprietary capital assets are also reported in their fund financial statements. 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. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The Town has been exempted from retroactively reporting its infrastructure assets. However, all future construction or major improvements to the roads, bridges, sidewalks, drainage and lighting systems for the Town will be capitalized and depreciated in a manner consistent with current policies for capital assets in the governmental and proprietary funds.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Estimated useful lives for depreciable assets are as follows:

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

Amounts Held in Escrow – The Town has funds received from a third party and held in escrow to be used for certain water projects.

Compensated Absences - Compensated absences are those earned but unused absences for which employees will be paid, such as vacation and sick leave. Full-time employees are granted annual vacation leave at varying amounts up to a maximum of 25 days per year, which will be paid at the current rate of pay. Carryover is limited to 80 hours per year, however, under extenuating circumstances the Commission may authorize additional carryover amounts. Sick leave may be accumulated, but will not be paid upon resignation, termination or retirement. Vacation leave is accumulated as applicable in the government-wide and proprietary fund financial statements as part of long- term obligations. A liability is reported in governmental fund financial statements only if it has matured, for example, as a result of employee resignations and retirements.

Net Position - In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balance of the debt that is attributable to the acquisition, construction or improvement of these assets reduce this category. For business-type activities total capital assets of \$20,982,050 is reduced by bonds payable of \$14,707,652 and further reduced by \$26,412 for the amount of accounts payable related to construction in progress.

Restricted Net Position

This category represents the net position of the Town which has been restricted for a specific project or purpose by a third party. As of June 30, 2017, the Town reported \$606,517 of restricted net position to be used to fund capital expansion and replacement of the sewer system.

Unrestricted Net Position

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

Fund Balance - In the fund financial statements, fund balances 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, 2017, the Town reported \$3,068 of prepaid expenses that are not in spendable form.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Restricted

This category includes amounts constrained by an external party, constitutional provision or enabling legislation. As of June 30, 2017, 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 yearend. As of June 30, 2017, 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, 2017, the Town reported \$48,411 of funds assigned for police expenditures.

Unassigned

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

In the proprietary funds financial statements, net position is classified in the following categories:

Net investment in capital assets

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balance of the debt that is attributable to the acquisition, construction or improvement of these assets reduce this category. As of June 30, 2017, the funds reported \$6,247,986 invested in capital assets.

Restricted for capital projects

This category includes certain resources which have been set aside to fund capital expansion and replacement of the sewer system. These assets are maintained in separate bank accounts. As of June 30, 2017, the Town reported \$606,517 of restricted net position.

Unrestricted

This category represents the net position of the funds, which is not restricted for any project or other purpose.

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.

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 cash equivalents" and "Restricted cash", and consists of demand deposits, money market accounts, investments in the Maryland Local Government Investment Pool (MLGIP) and certificates of deposit with short-term maturities.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2017

2. Cash and Cash Equivalents and Restricted Cash (continued)

Restricted cash consists of resources set aside because their use is limited to sources from which they were derived. These sources consist of USDA bond funds to cover costs associated with the wastewater treatment plant and funds received from third parties to be held in escrow for water projects. The resources are maintained in separate bank accounts.

The Town is a participant in the MLGIP, which was established by the State of Maryland as an investment vehicle for short-term investment of funds by local municipalities. The MLGIP, under the control of the state treasurer, has been managed by a single financial institution. The MLGIP is operated in accordance with Rule 2a-7 (SEC-registered) of the Investment Company Act of 1940, as amended. The fair value is based on a share price of \$1.00 per share (Level 1). As of June 30, 2017, all pool holdings are in cash and cash equivalents.

Credit Risk - The Town has adopted a policy to be followed when investing public funds in accordance with the provisions of Section 17-101 of the Local Government Article of the Annotated Code of Maryland which prescribes the type of investments permissible for Maryland Municipalities. This policy requires that Town funds be invested in obligations for which the United States has pledged its full faith and credit, obligations insured by a federal agency (such as the FDIC), obligations collateralized by federal obligations, and portfolios created under the Maryland Local Government Investment Pool. The Town was in compliance with this policy as of June 30, 2017.

Interest Rate and Credit Risk – The Town manages interest rate and credit risk by investing primarily in short term holdings, including demand deposits, certificates of deposit and MLGIP.

Custodial Credit Risk – The Town manages custodial credit risk through its use of permissible investments based on the Annotated Code of Maryland as previously described. As such, uninsured or uncollateralized funds are not permitted.

Deposits, by level of risk, are:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 703,323	\$ 702,859
Uninsured, Collateral Held By Pledging Banks		
Trust Departments in Town’s Name	849,035	969,940
MD Local Government Investment Pool	617,040	617,040
Total Deposits	\$ 2,169,398	\$ 2,289,839

3. Fair Market Value of Investments

The Town was bequeathed shares of 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 Section 17-101 of the Local Government Code of the Annotated Code of Maryland. However, the Town retains the right to hold these stocks for public use under certain exceptions provided in the Code.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2017

3. Fair Market Value of Investments (continued)

The Town has the following recurring fair value measurements as of June 30, 2017:

- AT&T stocks of \$95,705 valued using quoted market prices (Level 1 inputs).

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets. The Town continually monitors the value of these investments as part of their risk assessment.

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Land - nondepreciable	\$ 417,807	\$ - 0 -	\$ - 0 -	\$ 417,807
Building and Improvements	1,554,731	- 0 -	- 0 -	1,554,731
Land improvements	615,549	- 0 -	- 0 -	615,549
Infrastructure - sidewalks, streets	2,296,455	100,567	- 0 -	2,397,022
Machinery, equipment and vehicles	923,536	77,218	- 0 -	1,000,754
Total	5,808,078	177,785	- 0 -	5,985,863
Less: Accumulated Depreciation				
Buildings and improvements	459,879	31,265	- 0 -	491,144
Land improvements	256,917	32,611	- 0 -	289,528
Infrastructure – sidewalks, streets	877,009	152,089	- 0 -	1,029,098
Machinery, equipment and vehicles	754,221	46,900	- 0 -	801,121
Total Governmental Activities	2,348,026	262,865	- 0 -	2,610,891
Net Capital Assets –				
Governmental Activities	\$ 3,460,052			\$ 3,374,972

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 17,787
Public Safety – Police	51,561
Public Works – General	18,990
Public Works – Streets & Sidewalks	136,601
Parks and Recreation	37,569
Disaster Response	357
Total	\$ 262,865

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2017

4. Capital assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES:				
Land - nondepreciable	\$ 105,491	\$ - 0 -	\$ - 0 -	\$ 105,491
Construction in progress - nondepreciable				
Water system improvements	962,415	792,071	- 0 -	1,754,486
Water tanks, mains, wells and plant	3,638,677	94,188	- 0 -	3,732,865
Sewer system and improvements	19,497,144	40,771	- 0 -	19,537,915
Machinery, equipment and vehicles	464,910	- 0 -	- 0 -	464,910
Total	<u>24,668,637</u>	<u>927,030</u>	<u>-</u>	<u>25,595,667</u>
Less: Accumulated Depreciation				
Water tanks, mains and plants	1,529,637	110,288	- 0 -	1,639,925
Sewer system and improvements	1,830,680	726,872	- 0 -	2,557,552
Machinery, equipment and vehicles	399,194	16,946	- 0 -	416,140
Total Business-Type Activities	<u>3,759,511</u>	<u>854,106</u>	<u>- 0 -</u>	<u>4,613,617</u>
Net Capital Assets - Business-Type Activities	<u>\$ 20,909,126</u>			<u>\$ 20,982,050</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 121,616
Sewer	<u>732,490</u>
Total	<u>\$ 854,106</u>

Total capitalized interest included in water system improvements was \$6,960 for the year ended June 30, 2017.

5. Long-Term Debt

Long-Term Debt at June 30, 2017 consists of:

Governmental Activities:

Mortgage Loan – Howard Bank

Total authorized and issued as of June 30, 2017 - \$1,398,427.

Principal repaid through June 30, 2017 - \$541,012.

Interest at 3.0%, adjustable every three years. Monthly principal and interest payments of \$5,758 through April, 2032. Loan is secured by certain real property.

\$ 857,415

Capital Improvement Loan – Howard Bank

Total authorized and issued as of June 30, 2017 - \$658,330. Principal paid through June 30, 2017 - \$559,583. Semi-annual interest payments at variable rate, based on 75% of Wall Street Journal Prime Rate, Initial Rate 2.44%. Interest at June 30, 2017 was 3.1875%.

Semi-annual principal payments of \$32,916 beginning January 1, 2017 through January 2019. Loan is secured by certain real property.

98,747

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2017

5. Long-Term Debt (continued)

Capital Improvement Loan – Howard Bank

Total authorized and issued as of June 30, 2017 - \$609,640. Principal paid through June 30, 2017 - \$214,698. Interest at variable rate, based on 75% of Wall Street Journal Prime Rate, Initial Rate 2.44%. Interest at June 30, 2017 was 3.1875%. Semi-annual principal and interest payments of \$33,307 through September 2023.

Loan is secured by certain real property 394,942

Capital Improvement Loan – Howard Bank

Total authorized and issued as of June 30, 2017 - \$225,000. Principal paid through June 30, 2017 - \$18,061. Interest at variable rate, based on 75% of Wall Street Journal Prime Rate, Initial Rate 4.25%. Interest at June 30, 2017 was 5.0%. Semi-annual principal and interest payments of \$13,968 through June 2026.

Loan is secured by certain real property. 206,939

Capital Lease Purchase – KS State Bank

Total authorized and issued as of June 30, 2017 - \$150,000. Principal paid through June 30, 2017 - \$57,816. Interest at 3.954%. Annual principal and interest payments of \$31,373 through November 2018, then \$12,828 through November 2021.

Loan is secured by town vehicles. 92,184

Capital Lease Purchase – Tax-Exempt Leasing Corp.

Total authorized and issued as of June 30, 2017 - \$174,727. Principal paid through June 30, 2017 - \$ -0-. Interest at 3.29%. Annual principal and interest payments of \$28,352 through June 2024. Proceeds held in escrow as of June 30, 2017 were \$106,619.

Loan is secured by town vehicles and equipment. 174,727

Compensated absences 46,875

Total Governmental Activities \$ 1,871,829

Vehicles and equipment associated with the KS State Bank capital lease and valued at \$150,000 are included in governmental activities capital assets. As of June 30, 2017, \$47,500 is reflected in accumulated depreciation for these assets.

Vehicles and equipment associated with the Tax-Exempt Leasing Corp. capital lease and valued at \$68,108 are included in governmental activities capital assets. As of June 30, 2017, \$ - 0 - is reflected in accumulated depreciation for these assets. As of June 30, 2017, funds of \$106,619 were held in escrow by a third party for the purchase of additional equipment.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2017

5. Long-Term Debt (continued)

Business-Type Activities:

Maryland Water Quality Financing Administration, Series 2002 Bonds
Total authorized as of June 30, 2017 - \$1,861,600. Issued as of
June 30, 2017 - \$1,698,717. Principal repaid through
June 30, 2017 - \$772,624. Interest at 0.5%, paid semi-annually.
Principal to be repaid in annual installments through February 2032. \$ 926,093

USDA General Obligation Bond, Series 2014
Total authorized and issued as of June 30, 2017 - \$8,098,500.
Principal repaid through June 30, 2017 \$66,941. Interest at 2.375%.
Interest only payments of \$192,339 through November 2016.
Quarterly principal and interest of \$81,066 through November 2054. 8,031,559

USDA General Obligation Bond, Series 2015
Total authorized and issued as of June 30, 2017 - \$5,000,000.
Principal repaid through June 30, 2017 \$ - 0 -. Interest at 2.125%.
Interest only payments of \$106,250 through September 2017.
Quarterly principal and interest of \$48,050 through September 2055. 5,000,000

CO Bank Interim Financing
Total authorized as of June 30, 2017 - \$8,485,000. Issued as of
June 30, 2017 - \$750,000. Principal repaid through
June 30, 2017 - \$ - 0 -. Monthly interest at variable rate based on
1.2% above LIBOR, minimum 1.2%. Interest at June 30, 2017
was 2.42%. Principal to be repaid in full October 2020. 750,000

Compensated absences 14,058

Total Business-Type Activities 14,721,710

Total Long-Term Debt \$ 16,593,539

During the year ended June 30, 2017, the following changes occurred in Long-Term Debt:

	<u>Balance</u> <u>6/30/16</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/17</u>
Governmental Activities				
Loans payable	\$ 1,862,726	\$ 174,727	\$ 212,499	\$ 1,824,954
Compensated absences	20,919	29,407	3,451	46,875
Business-Type Activities				
Bonds payable	14,085,821	750,000	128,169	14,707,652
Compensated absences	<u>23,682</u>	<u>1,159</u>	<u>10,783</u>	<u>14,058</u>
Totals	<u>\$ 15,993,148</u>	<u>\$ 955,293</u>	<u>\$ 354,902</u>	<u>\$ 16,593,539</u>

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2017

5. Long-Term Debt (continued)

Future debt service requirements are as follows:

<u>Years Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal Maturing</u>	<u>Interest Payable</u>	<u>Principal Maturing</u>	<u>Interest Payable</u>
2018	\$ 240,310	\$ 66,293	\$ 261,246	\$ 397,579
2019	212,785	58,385	287,782	312,841
2020	166,871	50,361	292,502	308,120
2021	171,903	44,567	1,048,884	288,125
2022	177,071	38,674	304,628	277,843
2023 through 2027	540,332	115,083	1,613,072	1,299,274
2028 through 2032	315,682	34,973	1,746,422	1,136,050
2033 through 2037	- 0 -	- 0 -	1,624,971	957,349
2038 through 2042	- 0 -	- 0 -	1,820,707	761,640
2043 through 2047	- 0 -	- 0 -	2,040,098	542,222
2048 through 2052	- 0 -	- 0 -	2,285,915	296,405
2053 through 2056	- 0 -	- 0 -	1,381,425	48,188
Totals	<u>\$ 1,824,954</u>	<u>\$ 408,336</u>	<u>\$ 14,707,652</u>	<u>\$ 6,625,636</u>

6. Property Tax

Real property taxes attach as an enforceable lien on the associated property and are levied as of July 1st. Semi-annual installment payments are mandatory for qualified properties unless the property owner chooses to pay in one installment. Qualified property is defined as an owner-occupied principal residence or a small business with certain commercial use classifications. Under the semi-annual plan, one-half of the tax bill is due September 30 with the balance due on December 31. For all other properties the bill is due in its entirety on September 30. After the due date(s) interest is charged on any delinquent portion. Cecil County holds an annual property tax lien certificate sale on the first Monday of June to collect all unpaid Town and County property taxes as of that date. During the year ended June 30, 2017, the Town established a flat \$384 per property debt service and utility tax which is added to the real property bill and collectible as such.

Real and personal property taxes are levied at rates enacted by the Mayor and Commissioners in the annual budget on the taxable assessed value as determined by the Maryland Department of Assessments and Taxation. The tax rates for the fiscal year ended June 30, 2017 was \$0.48 and \$.90 per \$100 of assessed value for real and personal property, respectively.

7. Risk Management

The Town is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; injuries to workers; and natural disasters. The Town purchases insurance which covers significant losses, however, the Town does not have coverage regarding contractual claims. Insurance is provided through the Maryland Local Government Insurance Trust and by commercial insurance. The Trust is a total risk and cost sharing plan for all participants. In the event that the Trust's General Fund falls into a deficit that cannot be satisfied by transfer from the Trust's capital and surplus accounts, the Trustees determine a method to fund the deficit. The Trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit. During the year ended June 30, 2017, there was no significant reduction in insurance coverage.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2017

8. Employee Benefit Plans

The Town provides pension benefits for all of its full-time employees through a defined contribution plan under IRS section 457(b). 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. All employee contributions are fully vested. During the year ended June 30, 2017, Town employees contributed \$24,635.

In addition, the Town provides pension benefits for all of its full-time employees through a defined contribution profit-sharing pension plan under IRS section 401(k). The Town matches the employee's salary deferral to the 457(b) plan up to a maximum of 5%. 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. Benefits are established by the Mayor and Council and maybe amended by such. Town contributions for and interest forfeited by employees leaving employment before full vesting are used to reduce the Town's current contribution requirement. During the year ended June 30, 2017, the Town matched employees' contributions of up to 5%, for a total contribution of \$21,283 for the current year. There is no obligation or provision for employees to contribute to the plan.

The Town has a 401(a) plan to which it can contribute a discretionary 2% of the employee's salary. No employees are participating and no discretionary contribution was authorized for the fiscal year ended June 30, 2017.

9. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds". All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Net interfund transfers between the general and proprietary funds totaled \$498,785. Total funds due to the general fund as of June 30, 2017 totaled \$144,288.

10. Contingent Liabilities and Commitments

Most grants and cost-reimbursable contracts specify the types of expenditures for which the grants or contract funds may be used. The expenditures made by the Town under some of these grants and contracts are subject to audit. To date, the Town has not been notified of any significant unallowable costs relating to its grants or contracts. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audits will not have a material effect on the accompanying financial statements.

The Town has \$606,517 of funds from the United States Department of Agriculture (USDA) restricted to the sewer plant for contingency funding.

On August 16, 2016, the USDA Rural Development office approved the Town for a loan of \$8,485,000 and a grant of \$1,000,000 for the Chester Water Line. The Town is currently in the preliminary engineering and design phase and no grant or loan funds have been drawn. Total expenditures on this project to date total \$1,754,486 and are reflected in these financial statements as Construction in Progress – Water System. It is anticipated that these costs will be eligible for reimbursement under this program.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2017

10. Contingent Liabilities and Commitments (continued)

In December 2016, the Town closed on interim financing with CO Bank in the amount of \$8,485,000 for the aforementioned Chester Water Line. \$750,000 was advanced at closing on this loan and the remaining funding will be available for draw upon receipt of a Commitment to Lend from the USDA Rural Development Office. Funding draws will be made with approval from the USDA Rural Development office on expenditures requested to be drawn.

11. Environmental Concerns

The Town operates a sewer facility. If contamination from the facility occurred, the Town could become liable for the costs of remediation.

12. Utility Service Discounts

The Town offers a 1% discount for any utility bill paid in full 10 calendar days prior to the listed due date on the bill, not to exceed \$25 per payment. Total early payment discounts for the year ended June 30, 2017 were \$2,757.

13. Deficit of Major Enterprise Fund Net Position

The Water Fund has a deficit in unrestricted net position of (\$148,823) as of June 30, 2017.

14. Subsequent Event

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 30, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF RISING SUN

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund (NON-GAAP BUDGETARY BASIS)
For the Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes - local property	\$ 1,031,038	\$ 1,003,503	\$ (27,535)
Taxes - debt service and utility	217,771	331,487	113,716
Taxes - income and other local	155,354	238,966	83,612
Licenses & permits	20,983	18,510	(2,473)
Intergovernmental - federal	15,000	16,954	1,954
Intergovernmental - state	105,810	203,093	97,283
Intergovernmental - county	73,179	59,177	(14,002)
Charges for service	661,432	17,422	(644,010)
Investment earnings	3,514	(16,574)	(20,088)
Miscellaneous	37,484	68,782	31,298
Proceeds from long term debt	- 0 -	174,727	174,727
TOTAL REVENUES	<u>2,321,565</u>	<u>2,116,047</u>	<u>(205,518)</u>
EXPENDITURES			
General government	223,482	210,517	12,965
Public safety - police	608,841	553,049	55,792
Public safety - planning, zoning & code enforcement	144,167	66,160	78,007
Public works - general	69,060	66,695	2,365
Public works - streets & sidewalks	59,304	80,754	(21,450)
Public works - solid waste collection	233,445	225,206	8,239
Parks & recreation	566,093	46,371	519,722
Disaster response	1,275	- 0 -	1,275
Capital expenditures	139,025	177,785	(38,760)
Debt service - principal	214,568	212,499	2,069
Debt service - interest	55,275	55,275	- 0 -
TOTAL EXPENDITURES	<u>2,314,535</u>	<u>1,694,311</u>	<u>620,224</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 7,030</u>	<u>\$ 421,736</u>	<u>\$ 414,706</u>

See accompanying notes to required supplementary information

TOWN OF RISING SUN

Notes to Required Supplementary Information June 30, 2017

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.

The legal level of budgetary control is at the level of general classification of expenditure. The town exceeded its budget at June 30, 2017 as follows:

Public works - streets	\$21,450
Capital outlays	38,760