

TOWN OF RISING SUN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 - 33
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	34
Notes to Required Supplementary Information	35



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, 2018, 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, 2018, 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 34 through 35 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 December 4, 2018, 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

December 4, 2018
Lutherville, MD

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2018

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, 2018. 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 \$10,133,354 (net position). Of this amount, \$2,341,466 may be used to meet the Town's ongoing obligations to citizens and creditors.

- Total net position of the primary government decreased (\$333,355). 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 \$706,063 from the previous year, while the net position from business activities decreased (\$1,039,418) from the previous year due to the sewer project depreciation.
- The total cost of all of the Town's programs was \$3,850,596 for the year ended June 30, 2018.

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, 2018

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, 2018

Government-wide Financial Analysis

Net Position: As noted earlier, the Town of Rising Sun's net assets exceeded liabilities by \$10,133,354. 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 808,140	\$ 740,298	\$ 1,773,820	\$ 2,155,053	\$ 2,581,960	\$ 2,895,351
Capital assets	3,774,392	3,374,972	24,133,075	20,982,050	27,907,467	24,357,022
Total Assets	4,582,532	4,115,270	25,906,895	23,137,103	30,489,427	27,252,373
Long-term liabilities	1,390,017	1,631,519	16,671,900	14,460,464	18,061,917	16,091,983
Other liabilities	274,515	271,814	2,019,641	421,867	2,294,156	693,681
Total Liabilities	1,664,532	1,903,333	18,691,541	14,882,331	20,356,073	16,785,664
Net position						
Net investment in capital assets	2,207,045	1,550,018	5,524,354	6,247,986	7,731,399	7,798,004
Restricted for capital projects	-	-	60,489	606,517	60,489	606,517
Unrestricted	710,955	661,919	1,630,511	1,400,269	2,341,466	2,062,188
Total Net Position	\$ 2,918,000	\$ 2,211,937	\$ 7,215,354	\$ 8,254,772	\$ 10,133,354	\$ 10,466,709
Program Revenue						
Charges for services	\$ 56,611	\$ 82,847	\$ 1,202,684	\$ 1,171,260	\$ 1,259,295	\$ 1,254,107
Grants/contributions	634,999	207,880	-	12,500	634,999	220,380
General Revenue						
Income taxes	217,040	234,768	-	-	217,040	234,768
Property taxes	938,126	991,852	-	-	938,126	991,852
Debt service and utility tax	351,286	343,618	-	-	351,286	343,618
Miscellaneous Revenue	61,012	65,383	30,643	31,720	91,655	97,103
Total General Revenue	1,567,464	1,635,621	30,643	31,720	1,598,107	1,667,341
Total Revenue and transfer	2,259,074	1,926,348	1,233,327	1,215,480	3,492,401	3,141,828
Expenses						
General government	264,362	253,365	-	-	264,362	253,365
Public safety	639,295	702,137	-	-	639,295	702,137
Public works	571,130	553,336	-	-	571,130	553,336
Parks and recreation	102,707	83,653	-	-	102,707	83,653
Disaster response	357	357	-	-	357	357
Utilities services	-	-	2,272,745	2,075,996	2,272,745	2,075,996
Transfers	-	-	-	-	-	-
Total Expenses and transfer	1,577,851	1,592,848	2,272,745	2,075,996	3,850,596	3,668,844
Special item	24,840	-	-	-	24,840	-
Change in net position	706,063	333,500	(1,039,418)	(860,516)	(333,355)	(527,016)
Net position, beginning of year	2,211,937	1,878,437	8,254,772	9,115,288	10,466,709	10,993,725
Net position, end of year	\$ 2,918,000	\$ 2,211,937	\$ 7,215,354	\$ 8,254,772	\$ 10,133,354	\$ 10,466,709

The largest component of the Town's net position, \$7,731,399, reflects its investment in capital assets (e.g., land, infrastructure, buildings, and equipment), less any related outstanding debt. The decrease in Net Investment in Capital Assets of \$66,605 is due to depreciation on assets exceeding outlays for capital assets. 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. There is also a restricted fund balance for capital projects of \$60,489.

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2018

The remaining portion of net position is an unrestricted net position balance of \$2,341,466. These funds are available for the general use of the Town to conduct its normal business.

The revenue from governmental activities increased by 17%, while the expenses decreased by 1%. The Town's increase in revenue is funding for infrastructure specifically sidewalks and streets.

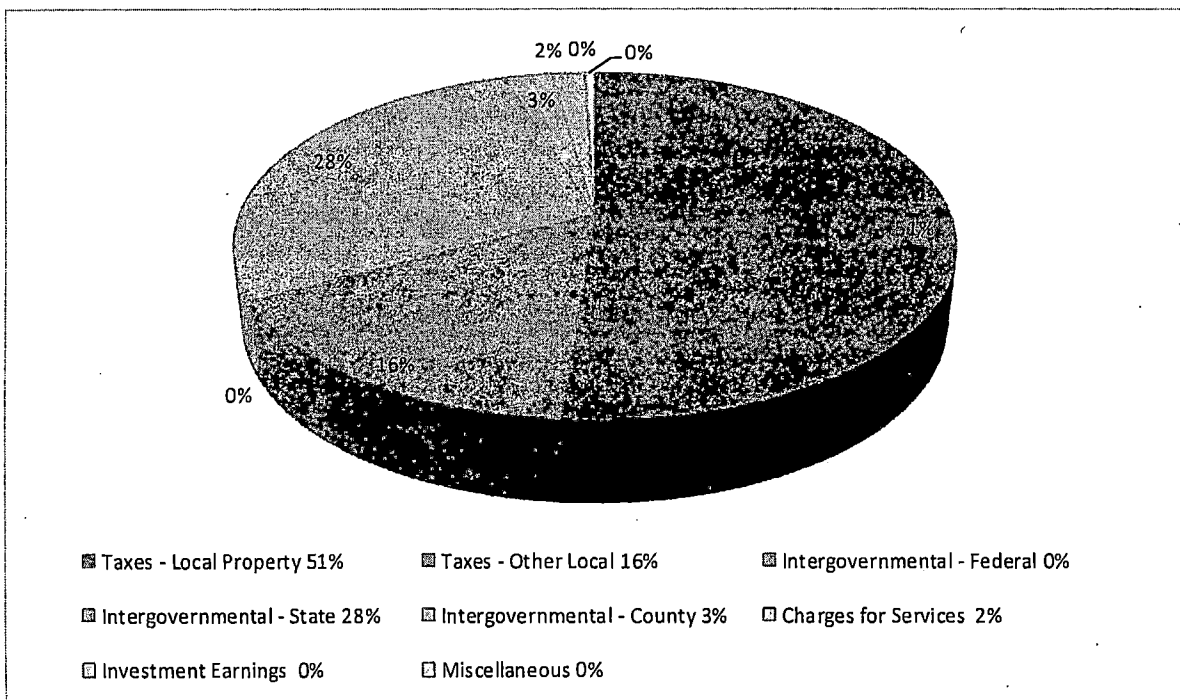
Financial Analysis of the Town's Funds

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, 2018, the Town's governmental funds reported an ending fund balance of \$656,680, a net increase of \$38,742 from the prior year.

For the fiscal year ended June 30, 2018, revenues from governmental funds totaled \$2,253,822. Property and personal property taxes represented the largest revenue source (51%), followed by intergovernmental - State (28%) and other local taxes (16%). The following chart depicts revenues of the government funds for the fiscal year.

**Revenues – Governmental Funds
Fiscal Year Ending June 30, 2018**

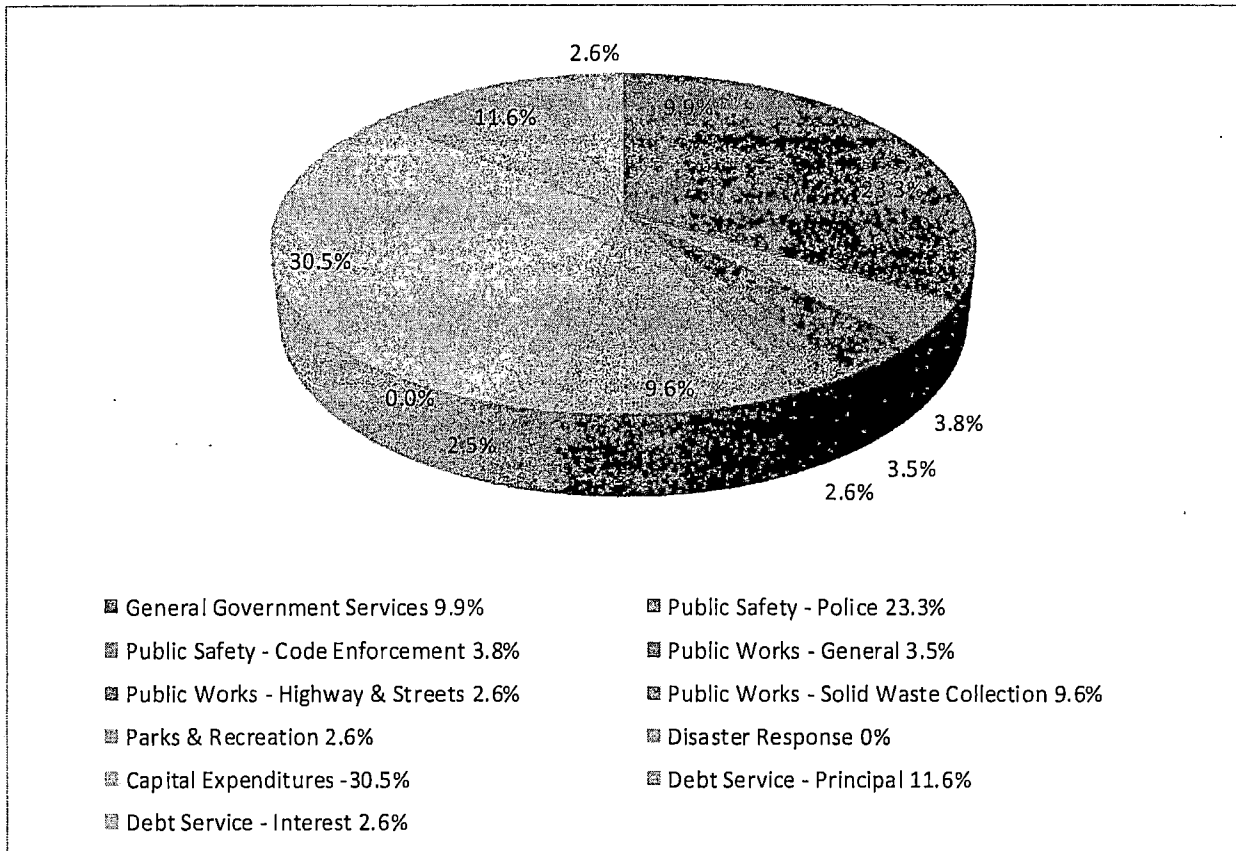


TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2018

The largest components of the governmental fund expenditures of \$2,215,080 are capital expenditures (31%), public safety-police (23%), and debt service (12%). The following chart depicts expenditures of the government activities for the fiscal year.

Expenditures – Governmental Funds Fiscal Year Ending June 30, 2018



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 \$7,215,354. Net investment in capital assets was \$5,524,354, restricted funds of \$60,489 and remaining unrestricted net position was \$1,630,511. 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 \$17,198 (1%) lower than the amount budgeted. The primary reason for revenues being lower than the budgeted amount was due to lower miscellaneous revenues than expected and problems with the debt service tax invoice process.

Actual expenditures were below budgeted spending by \$41,359 (2%). The primary reason that expenditures were below the budgeted amount was a delay in hiring police officers and other personnel.

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2018

Capital Assets and Long-Term Debt

Capital Assets: As of June 30, 2018, the Town had invested \$27,907,467, net of accumulated depreciation, in a broad range of capital assets. Depreciation and depletion charges for this fiscal year totaled \$1,180,452.

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

- \$4,030,287 of infrastructure – water & sewer improvements.
- \$542,608 of infrastructure – sidewalks and streets

The following table depicts the Town's capital assets:

	June 30, 2018			June 30, 2017		
	Governmental	Proprietary	Total	Governmental	Proprietary	Total
Capital Assets, at Cost	\$ 6,686,473	\$ 29,625,954	\$ 36,312,427	\$ 5,985,863	\$ 25,595,667	\$ 31,581,530
Less: Accum. Depreciation	2,912,081	5,492,879	8,404,960	2,610,891	4,613,617	7,224,508
Net Capital Assets	\$ 3,774,392	\$ 24,133,075	\$ 27,907,467	\$ 3,374,972	\$ 20,982,050	\$ 24,357,022

Long-Term Debt: At the end of the current fiscal year, the Town had total long-term debt of \$18,562,484, of which \$500,567 is due within one year, and the remaining \$18,061,917 is due in subsequent years. \$1,602,802 of the debt was related to governmental activities, and \$16,959,682 was related to business-type activities. All business-type debt is bonded and backed by the full faith and credit of the government.

The Town's debt had a total net increase of \$1,968,945 during the fiscal year, primarily due to draws for water infrastructure construction exceeding principal on the construction loans for the new wastewater treatment facility and infrastructure loans.

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, 2018

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 272,541	\$ 1,512,597	\$ 1,785,138
Restricted cash	- 0 -	70,505	70,505
Investments	89,454	- 0 -	89,454
Accounts receivable - taxes	12,972	- 0 -	12,972
Service charges receivable - net of allowance	29,148	233,166	262,314
Due from other governments	110,466	236,956	347,422
Other receivables	- 0 -	500	500
Prepaid expenses	10,579	3,076	13,655
TOTAL CURRENT ASSETS	525,160	2,056,800	2,581,960
CAPITAL ASSETS			
Land - nondepreciable	442,647	105,491	548,138
Construction in progress - nondepreciable	- 0 -	5,361,070	5,361,070
Buildings, infrastructure and equipment	6,243,826	24,159,393	30,403,219
Less: accumulated depreciation	(2,912,081)	(5,492,879)	(8,404,960)
TOTAL CAPITAL ASSETS	3,774,392	24,133,075	27,907,467
OTHER ASSETS			
Internal balances	282,980	(282,980)	- 0 -
TOTAL OTHER ASSETS	282,980	(282,980)	- 0 -
TOTAL ASSETS	4,582,532	25,906,895	30,489,427
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	61,730	1,721,859	1,783,589
Amounts held in escrow	- 0 -	10,000	10,000
Current portion - long term obligations	212,785	287,782	500,567
TOTAL CURRENT LIABILITIES	274,515	2,019,641	2,294,156
NONCURRENT LIABILITIES			
Long term obligations	1,390,017	16,671,900	18,061,917
TOTAL LIABILITIES	1,664,532	18,691,541	20,356,073
NET POSITION			
Net investment in capital assets	2,207,045	5,524,354	7,731,399
Restricted	- 0 -	60,489	60,489
Unrestricted	710,955	1,630,511	2,341,466
TOTAL NET POSITION	\$ 2,918,000	\$ 7,215,354	\$ 10,133,354

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Activities For the Year Ended June 30, 2018

FUNCTIONS/PROGRAM ACTIVITIES	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position Primary Government		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General government	\$ 264,362	\$ 7,143	\$ - 0 -	\$ - 0 -	\$ (257,219)	\$ - 0 -	\$ (257,219)
Public safety - police	553,323	1,574	40,424	- 0 -	(511,325)	- 0 -	(511,325)
Public safety - planning, zoning & code enforcement	85,972	17,287	- 0 -	- 0 -	(68,685)	- 0 -	(68,685)
Public works - general	132,463	- 0 -	- 0 -	- 0 -	(132,463)	- 0 -	(132,463)
Public works - streets	220,384	1,210	72,762	- 0 -	(146,412)	- 0 -	(146,412)
Public works - solid waste collection	218,283	28,592	3,830	- 0 -	(185,861)	- 0 -	(185,861)
Parks and recreation	102,707	805	6,290	511,693	416,081	- 0 -	416,081
Disaster response	357	- 0 -	- 0 -	- 0 -	(357)	- 0 -	(357)
Total Governmental Activities	1,577,851	56,611	123,306	511,693	(886,241)	- 0 -	(886,241)
Business Type Activities:							
Water system	684,448	592,263	- 0 -	- 0 -	- 0 -	(92,185)	(92,185)
Sewer system	1,588,297	610,421	- 0 -	- 0 -	- 0 -	(977,876)	(977,876)
Total Business-Type Activities	2,272,745	1,202,684	- 0 -	- 0 -	- 0 -	(1,070,061)	(1,070,061)
TOTAL PRIMARY GOVERNMENT	\$ 3,850,596	\$ 1,259,295	\$ 123,306	\$ 511,693	(886,241)	(1,070,061)	(1,956,302)
GENERAL REVENUES:							
Real and personal property taxes					938,126	- 0 -	938,126
Debt service and utility tax					351,286	- 0 -	351,286
Income and other local taxes					217,040	- 0 -	217,040
Grants and contributions not restricted to specific programs					52,290	- 0 -	52,290
Interest and investment income (loss)					(2,270)	8,735	6,465
Miscellaneous					10,992	21,908	32,900
TOTAL GENERAL REVENUES					1,567,464	30,643	1,598,107
SPECIAL ITEMS:							
Donation of real property					24,840	- 0 -	24,840
CHANGE IN NET POSITION					706,063	(1,039,418)	(333,355)
NET POSITION - BEGINNING OF YEAR					2,211,937	8,254,772	10,466,709
NET POSITION - ENDING OF YEAR					\$ 2,918,000	\$ 7,215,354	\$ 10,133,354

See accompanying notes to financial statements

TOWN OF RISING SUN

Balance Sheet Governmental Funds June 30, 2018

		<u>General Fund</u>
ASSETS		
Cash and cash equivalents	\$	272,541
Investments		89,454
Accounts receivable - taxes		12,972
Service charges receivable - net of allowance		29,148
Due from other governments		110,466
Prepaid expenses		10,579
Due from other funds		115,335
Advances to other funds		<u>167,645</u>
TOTAL ASSETS		<u><u>\$ 808,140</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued expenses	\$	<u>61,730</u>
TOTAL LIABILITIES		<u>61,730</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - income taxes		56,647
Unavailable revenue - property taxes		5,014
Unavailable revenue - service charges		<u>28,069</u>
TOTAL DEFERRED INFLOWS OF RESOURCES		<u>89,730</u>
FUND BALANCES		
Nonspendable		10,579
Assigned		10,068
Unassigned		<u>636,033</u>
TOTAL FUND BALANCES		<u>656,680</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		<u><u>\$ 808,140</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, 2018

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 656,680

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	\$ 6,686,473	
Less: accumulated depreciation	<u>(2,912,081)</u>	
Net Capital Assets		3,774,392

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

General obligation debt	(1,567,347)	
Compensated absences	<u>(35,455)</u>	
		(1,602,802)

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	56,647	
Property taxes	5,014	
Service charges	<u>28,069</u>	
		<u>89,730</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,918,000

TOWN OF RISING SUN

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2018

	<u>General Fund</u>
REVENUES	
Taxes	
Local real and personal property	\$ 951,909
Debt service and utility	363,417
Income and other local	204,435
Licenses and permits	21,010
Intergovernmental	
State	631,169
County	57,649
Charges for service	16,408
Investment loss	(2,270)
Miscellaneous	<u>10,095</u>
Total Revenues	\$ 2,253,822
EXPENDITURES	
Current operating	
General government	218,945
Public safety - police	516,407
Public safety - planning, zoning & code enforcement	84,862
Public works - general	77,506
Public works - streets and sidewalks	57,204
Public works - solid waste collection	211,811
Parks and recreation	56,388
Capital expenditures	675,770
Debt service - principal	257,607
Debt service - interest	<u>58,580</u>
Total Expenditures	<u>2,215,080</u>
EXCESS OF REVENUES OVER EXPENDITURES	38,742
FUND BALANCES - BEGINNING	<u>617,938</u>
FUND BALANCES - ENDING	<u>\$ 656,680</u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2018

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 38,742

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 capital
expenditures of \$675,770 exceeded depreciation expense of
\$301,190 in the current period.

374,580

Governmental funds recognize revenues if they provide current
financial resources. The contribution of land to the
Town will be utilized in the government's general operations,
and therefore is not a current financial resource.

24,840

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.

257,607

Governmental funds report income that is both measurable 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
Property taxes
Service charges

\$ 12,605
(25,914)
12,183

(1,126)

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.

11,420

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 706,063

TOWN OF RISING SUN

Statement of Net Position - Proprietary Funds June 30, 2018

	Major Proprietary Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 597,115	\$ 915,482	\$ 1,512,597
Restricted cash	10,016	60,489	70,505
Service charges receivable	129,495	103,671	233,166
Due from other governments	- 0 -	236,956	236,956
Other receivables	- 0 -	500	500
Prepaid expenses	1,343	1,733	3,076
Due from other funds	- 0 -	319,773	319,773
TOTAL CURRENT ASSETS	737,969	1,638,604	2,376,573
CAPITAL ASSETS			
Land - nondepreciable	74,144	31,347	105,491
Construction in progress - nondepreciable	5,361,070	- 0 -	5,361,070
Buildings, infrastructure and equipment	4,235,643	19,923,750	24,159,393
Less: accumulated depreciation	(1,998,162)	(3,494,717)	(5,492,879)
TOTAL CAPITAL ASSETS	7,672,695	16,460,380	24,133,075
TOTAL ASSETS	8,410,664	18,098,984	26,509,648
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	1,669,294	52,565	1,721,859
Amounts held in escrow	10,000	- 0 -	10,000
Current portion, long term obligations	61,841	225,941	287,782
Due to other funds	402,436	32,672	435,108
TOTAL CURRENT LIABILITIES	2,143,571	311,178	2,454,749
NONCURRENT LIABILITIES			
Long term obligations	4,056,169	12,615,731	16,671,900
Advances from other funds	167,645	- 0 -	167,645
TOTAL NONCURRENT LIABILITIES	4,223,814	12,615,731	16,839,545
TOTAL LIABILITIES	6,367,385	12,926,909	19,294,294
NET POSITION			
Net investment in capital assets	1,895,821	3,628,533	5,524,354
Restricted for capital projects	- 0 -	60,489	60,489
Unrestricted	147,458	1,483,053	1,630,511
TOTAL NET POSITION	\$ 2,043,279	\$ 5,172,075	\$ 7,215,354

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, 2018

	Major Proprietary Funds		
	Water	Sewer	Total
OPERATING REVENUES			
Service fees	\$ 592,263	\$ 610,421	\$ 1,202,684
Total Operating Revenue	592,263	610,421	1,202,684
OPERATING EXPENSES			
Chemicals and testing	24,144	27,559	51,703
Contracted services and engineering	63,498	148,915	212,413
Other administrative expenses	144,600	110,618	255,218
Payroll taxes and fringe benefits	38,354	34,013	72,367
Repairs and maintenance	26,693	3,029	29,722
Salaries and wages	142,653	131,804	274,457
Supplies and materials	80	143	223
Utilities and telephone	88,852	94,838	183,690
Vehicle expenses	6,431	5,747	12,178
Depreciation	141,520	737,742	879,262
Total Operating Expenses	676,825	1,294,408	1,971,233
OPERATING LOSS	(84,562)	(683,987)	(768,549)
NONOPERATING REVENUES (EXPENSES)			
Interest income	4,157	4,578	8,735
Cell tower rent	21,908	- 0 -	21,908
Interest and loan fee expense	(7,623)	(293,889)	(301,512)
Total Nonoperating Revenue (Expense)	18,442	(289,311)	(270,869)
CHANGE IN FUND NET POSITION	(66,120)	(973,298)	(1,039,418)
TOTAL NET POSITION - BEGINNING	2,109,399	6,145,373	8,254,772
TOTAL NET POSITION - ENDING	\$ 2,043,279	\$ 5,172,075	\$ 7,215,354

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2018

	Major Proprietary Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 541,202	\$ 586,699	\$ 1,127,901
Cash paid to suppliers for goods and services	(223,268)	(414,668)	(637,936)
Cash paid to employees for services	(139,784)	(128,727)	(268,511)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>178,150</u>	<u>43,304</u>	<u>221,454</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Advances from (to) other funds	(174,818)	313,510	138,692
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>(174,818)</u>	<u>313,510</u>	<u>138,692</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Repayments of long term debt	(61,533)	(199,712)	(261,245)
Proceeds from long term debt	2,493,271	- 0 -	2,493,271
Acquisition of property, plant and equipment	(2,380,831)	(176,799)	(2,557,630)
Interest payments and administrative fees paid on bond	(7,623)	(374,953)	(382,576)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>43,284</u>	<u>(751,464)</u>	<u>(708,180)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts of interest and other income	26,065	4,578	30,643
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>26,065</u>	<u>4,578</u>	<u>30,643</u>
NET INCREASE (DECREASE) IN CASH	72,681	(390,072)	(317,391)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>534,450</u>	<u>1,366,043</u>	<u>1,900,493</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 607,131</u></u>	<u><u>\$ 975,971</u></u>	<u><u>\$ 1,583,102</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating loss	\$ (84,562)	\$ (683,987)	\$ (768,549)
Add depreciation and amortization expense	141,520	737,742	879,262
(Increase) decrease in current assets			
Accounts receivable	(51,061)	(23,722)	(74,783)
Prepaid expenses	190	(257)	(67)
Increase in current liabilities			
Accounts payable and accrued expenses	172,063	13,528	185,591
Net Cash Flows From Operating Activities	<u><u>\$ 178,150</u></u>	<u><u>\$ 43,304</u></u>	<u><u>\$ 221,454</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AS REPORTED IN STATEMENT OF NET POSITION PROPRIETARY FUNDS			
Cash and cash equivalents	\$ 597,115	\$ 915,482	\$ 1,512,597
Restricted cash	10,016	60,489	70,505
Total cash and cash equivalents	<u><u>\$ 607,131</u></u>	<u><u>\$ 975,971</u></u>	<u><u>\$ 1,583,102</u></u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Fiduciary Net Position - Fiduciary Fund June 30, 2018

	Employee Benefit Plans
ASSETS	
Investments with fiscal agents	\$ 628,954
NET POSITION	
Held in trust for employee benefit plans	\$ 628,954

Statement of Changes in Fiduciary Net Position - Fiduciary Fund For the Year Ended June 30, 2018

	Employee Benefit Plans
CONTRIBUTIONS	
Employer	\$ 22,830
Employees	26,448
Investment gains	43,128
Total Contributions	92,406
DISTRIBUTIONS	
Benefits paid	25,000
Total Distributions	25,000
CHANGE IN NET POSITION	67,406
TOTAL NET POSITION - BEGINNING	561,548
TOTAL NET POSITION - ENDING	\$ 628,954

See accompanying notes to financial statements

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2018

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, 2018

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. Long-term interfund loans are classified as "advances to/from other funds." These funds were utilized by the water and sewer funds to fund capital projects relate to water and wastewater system upgrades. 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.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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.

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.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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.

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

Receivables – Receivables not expected to be collected within 60 days of year end will be reported as a deferred inflow of resources in the Balance Sheet – Governmental Funds, as they are not currently available to the Town. All receivables, except service charges are reported at gross values. Allowances are reported when management has determined that collection of the receivable is not probable. As of June 30, 2018, management has recorded an allowance of \$6,378 related to trash service charges. All other receivables are deemed fully collectible.

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. Personal property taxes are billed and collected by the Town based on assessed values provided by the State of Maryland.

As of June 30, 2018, the balance of real property taxes receivable was \$7,602. Of this amount, \$2,621 was not collected within 60 days of year-end and accordingly has been reported as deferred inflows of resources in the general fund.

As of June 30, 2018, the balance of personal property taxes receivable was \$5,370. Of this amount, \$2,393 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. Trash charges are billed annually. As of June 30, 2018, the balance of service charges receivable were as follows: Trash \$29,148 (net of allowance of \$6,378), Water \$129,495 and Sewer \$103,671. Of these amounts, \$28,069 related to trash charges was not collected within 60 days of year-end and accordingly has been reported as deferred inflows of resources in the general fund.

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, 2018, the balance due from other governments was \$110,466. Of this amount, \$56,647 of income taxes 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 \$53,819 due from other governments were received within the 60 day period.

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 received on or before June 30, 2015 are stated at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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 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.

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.

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.

Deferred Outflows and Inflows of Resources - A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Likewise, a deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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 \$24,133,075 is reduced by bonds payable of \$16,939,678 and further reduced by \$1,669,043 for the amount of accounts payable related to construction in progress.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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, 2018, the Town reported \$60,489 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, 2018, the Town reported \$10,579 of prepaid expenses that are not in spendable form.

Restricted

This category includes amounts constrained by an external party, constitutional provision or enabling legislation. As of June 30, 2018, 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, 2018, 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, 2018, the Town reported \$10,068 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, 2018, the funds reported \$5,524,354 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, 2018, the Town reported \$60,489 of restricted net position.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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.

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, 2018, 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, 2018.

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.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2018

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

Deposits, by level of risk, are:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 572,819	\$ 571,781
Uninsured, Collateral Held By Pledging Banks		
Trust Departments in Town's Name	658,028	834,895
MD Local Government Investment Pool	<u>624,796</u>	<u>624,796</u>
Total Deposits	<u>\$ 1,855,643</u>	<u>\$ 2,031,472</u>

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.

The Town has the following recurring fair value measurements as of June 30, 2018:

- Common stocks of \$89,454 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.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2018

4. Capital Assets

Capital asset activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Land - nondepreciable	\$ 417,807	\$ 24,840	\$ - 0 -	\$ 442,647
Building and improvements	1,554,731	21,938	- 0 -	1,576,669
Land improvements	615,549	- 0 -	- 0 -	615,549
Infrastructure - sidewalks, streets	2,397,022	542,608	- 0 -	2,939,630
Machinery, equipment and vehicles	1,000,754	111,224	- 0 -	1,111,978
Total	5,985,863	\$ 700,610	\$ - 0 -	6,686,473
Less: Accumulated Depreciation				
Buildings and improvements	491,144	31,627	\$ - 0 -	522,771
Land improvements	289,528	31,709	- 0 -	321,237
Infrastructure - sidewalks, streets	1,029,098	160,999	- 0 -	1,190,097
Machinery, equipment and vehicles	801,121	76,855	- 0 -	877,976
Total Governmental Activities	2,610,891	\$ 301,190	\$ - 0 -	2,912,081
Net Capital Assets -				
Governmental Activities	\$ 3,374,972			\$ 3,774,392

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 17,862
Public Safety - Police	44,954
Public Works - General	54,856
Public Works - Streets & Sidewalks	137,023
Parks and Recreation	46,138
Disaster Response	357
Total	\$ 301,190

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2018

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	1,848,674	3,853,488	341,092	5,361,070
Water tanks, mains, wells and plant	3,638,677	341,092	- 0 -	3,979,769
Sewer system and improvements	19,537,915	176,799	- 0 -	19,714,714
Machinery, equipment and vehicles	464,910	- 0 -	- 0 -	464,910
Total	25,595,667	\$ 4,371,379	\$ 341,092	29,625,954
Less: Accumulated Depreciation				
Water tanks, mains and plants	1,639,925	131,961	- 0 -	1,771,886
Sewer system and improvements	2,557,552	732,894	- 0 -	3,290,446
Machinery, equipment and vehicles	416,140	14,407	- 0 -	430,547
Total Business-Type Activities	4,613,617	\$ 879,262	\$ - 0 -	5,492,879
Net Capital Assets - Business-Type Activities	\$ 20,982,050			\$ 24,133,075

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

Water	\$ 141,520
Sewer	737,742
Total	\$ 879,262

Total capitalized interest included in water system improvements was \$31,906 for the year ended June 30, 2018.

5. Long-Term Debt

Long-Term Debt at June 30, 2018 consists of:

Governmental Activities:

Mortgage Loan – Howard Bank

Total authorized and issued as of June 30, 2018 - \$1,398,427.

Principal repaid through June 30, 2018 - \$587,505.

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.

\$ 810,922

Capital Improvement Loan – Howard Bank

Total authorized and issued as of June 30, 2018 - \$658,330. Principal paid through June 30, 2018 - \$647,358. Semi-annual interest payments at variable rate, based on 75% of Wall Street Journal Prime Rate, Initial Rate 2.44%. Interest at June 30, 2018 was 3.75%.

Semi-annual principal payments of \$32,916 beginning January 1, 2018 through January 2019. Loan is secured by certain real property.

10,972

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2018

5. Long-Term Debt (continued)

Capital Improvement Loan – Howard Bank

Total authorized and issued as of June 30, 2018 - \$609,640. Principal paid through June 30, 2018 - \$270,436. Interest at variable rate, based on 75% of Wall Street Journal Prime Rate, Initial Rate 2.44%. Interest at June 30, 2018 was 3.75%. Semi-annual principal and interest payments of \$33,307 through September 2023. Loan is secured by certain real property.

339,204

Capital Improvement Loan – Howard Bank

Total authorized and issued as of June 30, 2018 - \$225,000. Principal paid through June 30, 2018 - \$35,330. Interest at variable rate, based on 75% of Wall Street Journal Prime Rate, Initial Rate 4.25%. Interest at June 30, 2018 was 5.5%. Semi-annual principal and interest payments of \$13,968 through June 2026. Loan is secured by certain real property.

189,670

Capital Lease Purchase – KS State Bank

Total authorized and issued as of June 30, 2018 - \$150,000. Principal paid through June 30, 2018 - \$85,544. 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.

64,456

Capital Lease Purchase – Tax-Exempt Leasing Corp.

Total authorized and issued as of June 30, 2018 - \$174,727. Principal paid through June 30, 2018 - \$22,604. Interest at 3.29%. Annual principal and interest payments of \$28,352 through June 2024. Loan is secured by town vehicles and equipment.

152,123

Compensated absences

35,455

Total Governmental Activities

\$ 1,602,802

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, 2018, \$77,500 is reflected in accumulated depreciation for these assets.

Vehicles and equipment associated with the Tax-Exempt Leasing Corp. capital lease and valued at \$174,727 are included in governmental activities capital assets. As of June 30, 2018, \$34,940 is reflected in accumulated depreciation for these assets.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2018

5. Long-Term Debt (continued)

Business-Type Activities:

Maryland Water Quality Financing Administration, Series 2002 Bonds
Total authorized as of June 30, 2018 - \$1,861,600. Issued as of
June 30, 2018 - \$1,698,717. Principal repaid through
June 30, 2018 - \$834,157. Interest at 0.5%, paid semi-annually.
Principal to be repaid in annual installments through February 2032. \$ 864,560

USDA General Obligation Bond, Series 2014
Total authorized and issued as of June 30, 2018 - \$8,098,500.
Principal repaid through June 30, 2018 - \$201,626. Interest at 2.375%.
Interest only payments of \$192,339 through November 2016.
Quarterly principal and interest of \$81,066 through November 2054. 7,896,874

USDA General Obligation Bond, Series 2015
Total authorized and issued as of June 30, 2018 - \$5,000,000.
Principal repaid through June 30, 2018 - \$ 65,027. Interest at 2.125%.
Interest only payments of \$106,250 through September 2017.
Quarterly principal and interest of \$48,050 through September 2055. 4,934,973

CO Bank Interim Financing
Total authorized as of June 30, 2018 - \$8,485,000. Issued as of
June 30, 2018 - \$3,243,271. Principal repaid through
June 30, 2018 - \$ - 0 -. Monthly interest at variable rate based on
1.2% above LIBOR, minimum 1.2%. Interest at June 30, 2018
was 3.31%. Principal to be repaid in full October 2020. 3,243,271

Compensated absences 20,004

Total Business-Type Activities 16,959,682

Total Long-Term Debt \$ 18,562,484

During the year ended June 30, 2018, the following changes occurred in Long-Term Debt:

	Balance 6/30/17		Increase		Decrease		Balance 06/30/18
Governmental Activities							
Loans payable	\$ 1,824,954	\$ - 0 -		\$ 257,607		\$ 1,567,347	
Compensated absences	46,875	2,366		13,786		35,455	
Business-Type Activities							
Bonds payable	14,707,652	2,493,271		261,245		16,939,678	
Compensated absences	<u>14,058</u>	<u>5,946</u>		<u>- 0 -</u>		<u>20,004</u>	
Totals	<u>\$ 16,593,539</u>	<u>\$ 2,501,583</u>		<u>\$ 532,638</u>		<u>\$ 18,562,484</u>	

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2018

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>
2019	\$ 190,841	\$ 58,385	\$ 287,782	\$ 402,044
2020	166,871	50,361	292,502	397,322
2021	171,903	44,567	3,542,155	310,426
2022	177,071	38,674	304,628	277,843
2023	169,577	32,560	310,499	271,971
2024 through 2028	435,544	95,130	1,643,761	1,268,581
2029 through 2033	255,540	22,366	1,715,720	1,100,750
2034 through 2038	- 0 -	- 0 -	1,662,338	919,982
2039 through 2043	- 0 -	- 0 -	1,862,589	719,758
2044 through 2048	- 0 -	- 0 -	2,086,831	495,489
2049 through 2053	- 0 -	- 0 -	2,338,744	243,576
2054 through 2056	- 0 -	- 0 -	892,129	21,020
Totals	<u>\$ 1,567,347</u>	<u>\$ 342,043</u>	<u>\$ 16,939,678</u>	<u>\$ 6,428,762</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, 2018 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, 2018, there was no significant reduction in insurance coverage.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2018

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, 2018, Town employees contributed \$26,448.

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, 2018, the Town matched employees' contributions of up to 5%, for a total contribution of \$22,830 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, 2018.

9. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Interfund receivables as of June 30, 2018 consisted of the following:

Due To	Due From	Amount
General Fund	Water Fund	\$ 250,308
General Fund	Sewer Fund	32,672
	Total	<u>\$ 282,980</u>
Sewer Fund	Water Fund	<u>\$ 319,773</u>

Of the amounts above, \$115,335 due to the general fund and \$319,773 due to the sewer fund are considered to be short-term interfund loans and 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. Total advances due to the general fund as of June 30, 2018 not expected to repaid within one year were \$167,645. Net interfund transfers between the general and proprietary funds totaled \$138,692.

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.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2018

10. Contingent Liabilities and Commitments (continued)

The Town has \$60,489 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. No grant or loan funds have been drawn to date. Total expenditures on this project to date total \$5,361,070 and are reflected in these financial statements as Construction in Progress – Water System. Of this amount, \$5,202,427 have been or are expected to be funded from USDA. The Town anticipates that the loan will be used to pay off the interim financing discussed below.

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 are available for draw. Funding draws will be made with approval from the USDA Rural Development office on expenditures requested to be drawn. As of June 30, 2018, the balance available for draw is \$5,241,729.

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, 2018 were \$3,767.

13. Nonmonetary Transaction

Special Item

During the year ended June 30, 2018, the Town was the recipient of land located within the Town's corporate limits from Cecil County, Maryland. The Town anticipates the land will be utilized as part of a Rails to Trails project. Acquisition value of the land was estimated at \$24,840 and is reported as a special item in the Statement of Activities. As the acquisition does not provide a financial resource to the Town, it has not been reflected as revenue in the fund financial statements.

14. Subsequent Event

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through December 4, 2018, 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 For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes - local property	\$ 960,883	\$ 951,909	\$ (8,974)
Taxes - debt service and utility	376,867	363,417	(13,450)
Taxes - income and other local	182,341	204,435	22,094
Licenses & permits	21,250	21,010	(240)
Intergovernmental - state	626,819	631,169	4,350
Intergovernmental - county	56,870	57,649	779
Charges for service	28,223	16,408	(11,815)
Investment earnings (loss)	3,600	(2,270)	(5,870)
Miscellaneous	14,167	10,095	(4,072)
	<u>2,271,020</u>	<u>2,253,822</u>	<u>(17,198)</u>
TOTAL REVENUES			
EXPENDITURES			
General government	210,685	218,945	(8,260)
Public safety - police	579,942	516,407	63,535
Public safety - planning, zoning & code enforcement	117,687	84,862	32,825
Public works - general	66,428	77,506	(11,078)
Public works - streets & sidewalks	85,957	57,204	28,753
Public works - solid waste collection	242,890	211,811	31,079
Parks & recreation	66,802	56,388	10,414
Disaster response	575	- 0 -	575
Capital expenditures	573,140	675,770	(102,630)
Debt service - principal	253,753	257,607	(3,854)
Debt service - interest	58,580	58,580	- 0 -
	<u>2,256,439</u>	<u>2,215,080</u>	<u>41,359</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 14,581</u>	<u>\$ 38,742</u>	<u>\$ 24,161</u>

See accompanying notes to required supplementary information

TOWN OF RISING SUN

Notes to Required Supplementary Information June 30, 2018

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, 2018 as follows:

General government	\$ 8,260
Public works - general	11,078
Capital outlays	102,630
Debt service	3,854