

TOWN OF RISING SUN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

TOWN OF RISING SUN

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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, 2019, 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, 2019, 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 9 and 36 through 37 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 April 23, 2020, 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 & Serra, LLC

April 23, 2020
Hunt Valley, MD

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2019

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, 2019. 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 \$9,952,918 (net position). Of this amount, \$2,238,658 may be used to meet the Town's ongoing obligations to citizens and creditors.

- Total net position of the primary government decreased (\$180,436). This is primarily due to depreciation of the Town's Utility systems.
- The net position of governmental activities increased \$160,170 from the previous year, while the net position from business activities decreased (\$340,606) from the previous year due to depreciation.
- The total cost of all of the Town's programs was \$4,409,511 for the year ended June 30, 2019.

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

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Management Discussion and Analysis June 30, 2019

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.

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Management Discussion and Analysis June 30, 2019

Government-wide Financial Analysis

Net Position: As noted earlier, the Town of Rising Sun's net assets exceeded liabilities by \$9,952,918. 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,111,247	\$ 808,140	\$ 2,634,282	\$ 1,773,820	\$ 3,745,529	\$ 2,581,960
Capital assets	3,589,501	3,774,392	26,801,619	24,133,075	30,391,120	27,907,467
Total Assets	4,700,748	4,582,532	29,435,901	25,906,895	34,136,649	30,489,427
Long-term liabilities	1,367,462	1,390,017	20,896,255	16,671,900	22,263,717	18,061,917
Other liabilities	255,116	274,515	1,664,898	2,019,641	1,920,014	2,294,156
Total Liabilities	1,622,578	1,664,532	22,561,153	18,691,541	24,183,731	20,356,073
Net position						
Net investment in capital assets	2,058,177	2,207,045	5,537,066	5,524,354	7,595,243	7,731,399
Restricted for capital projects	9,000	-	110,017	60,489	119,017	60,489
Unrestricted	1,010,993	710,955	1,227,665	1,630,511	2,238,658	2,341,466
Total Net Position	\$ 3,078,170	\$ 2,918,000	\$ 6,874,748	\$ 7,215,354	\$ 9,952,918	\$ 10,133,354
Program Revenue						
Charges for services	\$ 46,140	\$ 56,611	\$ 1,296,578	\$ 1,202,684	\$ 1,342,718	\$ 1,259,295
Grants/contributions	109,491	634,999	961,296	-	1,070,787	634,999
General Revenue						
Income taxes	292,548	217,040	-	-	292,548	217,040
Property taxes	952,381	938,126	-	-	952,381	938,126
Debt service and utility tax	364,270	351,286	-	-	364,270	351,286
Miscellaneous Revenue	71,204	61,012	135,167	30,643	206,371	91,655
Total General Revenue	1,680,403	1,567,464	135,167	30,643	1,815,570	1,598,107
Total Revenue and transfer	1,836,034	2,259,074	2,393,041	1,233,327	4,229,075	3,492,401
Expenses						
General government	217,589	264,362	-	-	217,589	264,362
Public safety	690,977	639,295	-	-	690,977	639,295
Public works	668,058	571,130	-	-	668,058	571,130
Parks and recreation	138,529	102,707	-	-	138,529	102,707
Disaster response	357	357	-	-	357	357
Interest	60,354	-	-	-	-	-
Utilities services	-	-	2,633,647	2,272,745	2,633,647	2,272,745
Transfers	(100,000)	-	100,000	-	-	-
Total Expenses and transfer	1,675,864	1,577,851	2,733,647	2,272,745	4,409,511	3,850,596
Special item	-	24,840	-	-	-	24,840
Change in net position	160,170	706,063	(340,606)	(1,039,418)	(180,436)	(333,355)
Net position, beginning of year	2,918,000	2,211,937	7,215,354	8,254,772	10,133,354	10,466,709
Net position, end of year	\$ 3,078,170	\$ 2,918,000	\$ 6,874,748	\$ 7,215,354	\$ 9,952,918	\$ 10,133,354

The largest component of the Town's net position, \$7,595,243, 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 \$136,156 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 balance for capital projects of \$119,017.

TOWN OF RISING SUN

Management Discussion and Analysis June 30, 2019

The remaining portion of net position is an unrestricted net position balance of \$2,238,658. These funds are available for the general use of the Town to conduct its normal business.

The revenue from governmental activities increased by 7%, while the expenses increased by 6%. The Town's increase in revenue is related to real estate taxes not being budgeted for 100% collection. As a safeguard, the budget is typically created with a 95% expectation of actual collection of the taxes projected by the State. Precautions are built into the Town's budget projections to offset higher than anticipated homestead tax credits, abatements and deletions as reported by the State. In addition, the projections for income tax are based upon an estimation of economic factors related to increases in citizens' income. In addition, estimated collection projections have been suppressed in anticipation of any final impacts related to the court case of the Comptroller of the Treasury of Maryland v Wynne, et ux. ("Wynne"). The Town was warned several years ago that the impacts may take time to get to the Town level. This impact did not occur, and under estimations of citizen incomes resulted in a 32% increase in revenues collected. Furthermore, the Governor provided special one-time grants to the annual distribution of Highway User Fees, which are used for the repair and replacement of streets and sidewalks.

The Town's increase in expenses is due to the Police department filling two vacancies within the department, to include cost for uniforms and equipment. In addition, increased expenses were also related to increases related to trash and recyclables collection and 3rd party grass cutting services under new and revised contracts.

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.

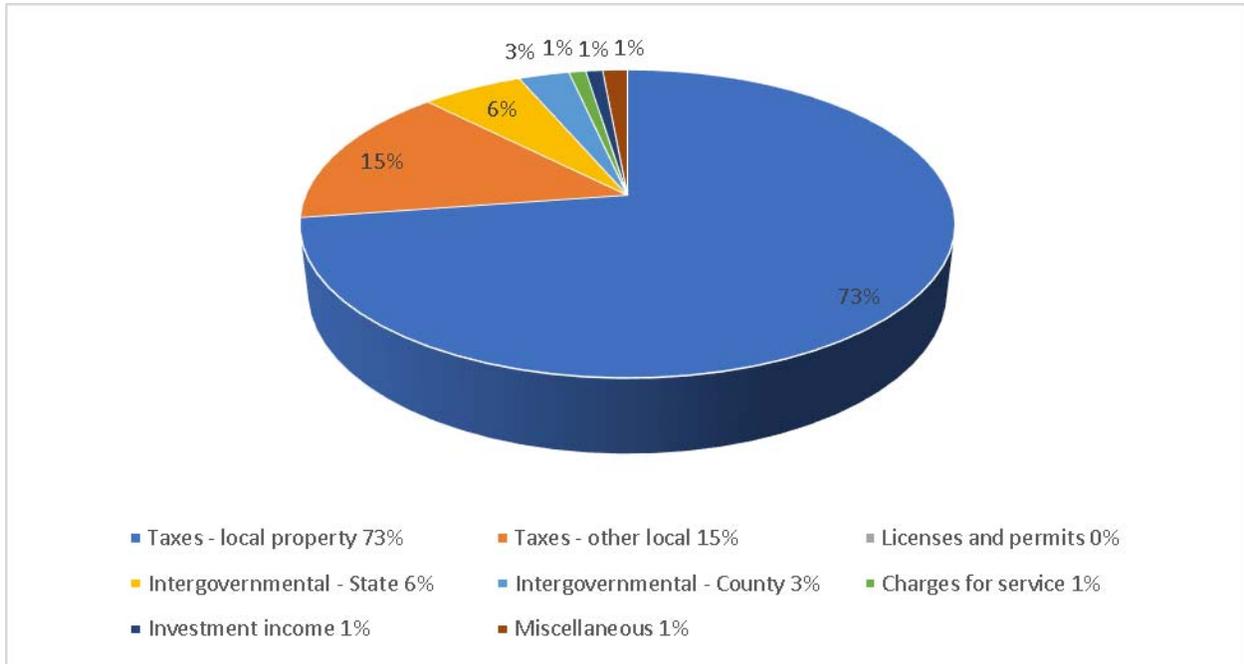
Governmental Funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balances may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year. As of June 30, 2019, the Town's governmental funds reported an ending fund balance of \$953,535, a net increase of \$296,855 from the prior year.

For the fiscal year ended June 30, 2019, revenues from governmental funds totaled \$1,816,628. Property and personal property taxes represented the largest revenue source (73%), followed by other local taxes (15%). The following chart depicts revenues of the government funds for the fiscal year.

TOWN OF RISING SUN

Management Discussion and Analysis
June 30, 2019

Revenues – Governmental Funds Fiscal Year Ending June 30, 2019

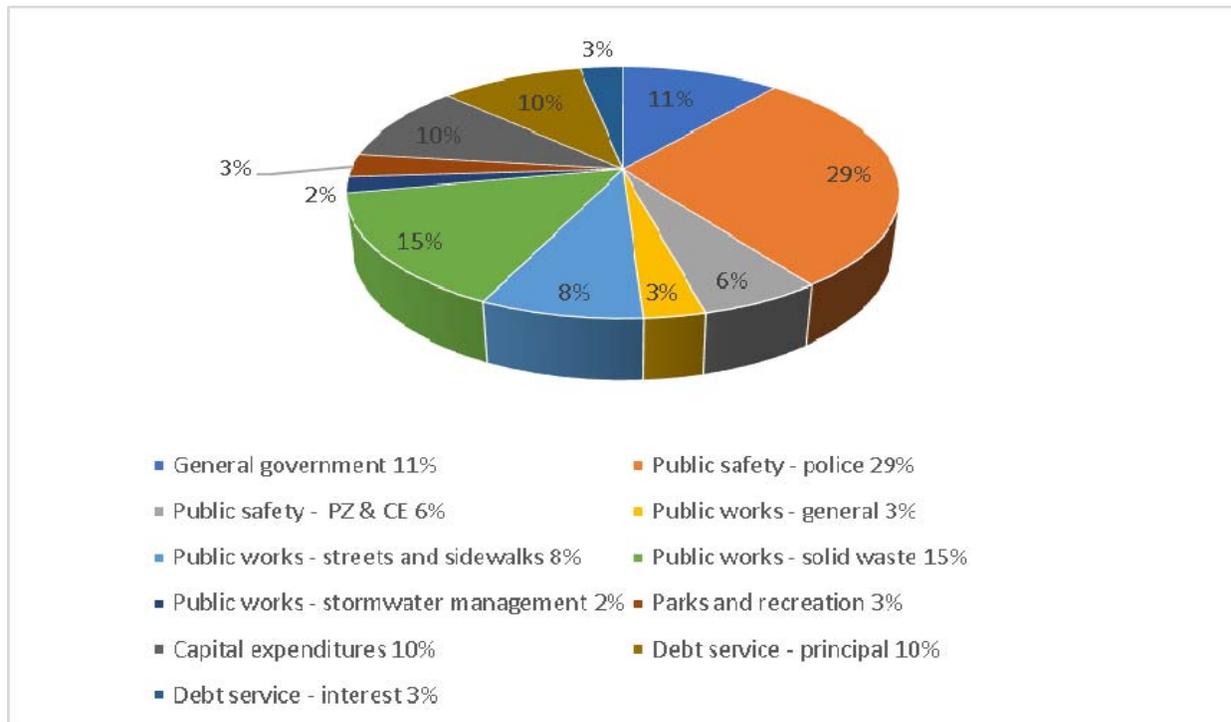


The largest components of the governmental fund expenditures of \$1,769,308 are public safety-police (29%), public works – solid waste (15%), and debt service (13%). The following chart depicts expenditures of the government activities for the fiscal year.

Expenditures – Governmental Funds Fiscal Year Ending June 30, 2019

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Management Discussion and Analysis June 30, 2019



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 \$6,874,748. Net investment in capital assets was \$5,537,066, restricted funds of \$110,017 and remaining unrestricted net position was \$1,227,665. 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 \$142,374 (8%) higher than the amount budgeted. The primary reason for revenues being higher than the budgeted amount was due to real estate taxes not being budgeted for 100% collection. As a safeguard, the budget is typically created with a 95% expectation of actual collection of the taxes projected by the State. Precautions are built into the Town's budget projections to offset higher than anticipated homestead tax credits, abatements and deletions as reported by the State. In addition, the projections for income tax are based upon an estimation of economic factors related to increases in citizens income. In addition, estimated collection projections have been suppressed in anticipation of any final impacts related to the court case of the *Comptroller of the Treasury of Maryland v Wynne, et ux. ("Wynne")*. The Town was warned several years ago that the impacts may take time to get to the Town level. This impact did not occur, and under estimations of citizen incomes resulted in a 32% increase in revenues collected.

Actual expenditures were below budgeted spending by \$25,372 (1%). The primary reason that expenditures were below the budgeted amount was a delay or freeze on hiring police officers, a code enforcement officer and Public Works Superintendent.

TOWN OF RISING SUN

Management Discussion and Analysis Capital Assets and Long-Term Debt June 30, 2019

Capital Assets: As of June 30, 2019, the Town had invested \$30,391,120, net of accumulated depreciation, in a broad range of capital assets. Depreciation and depletion charges for this fiscal year totaled \$1,307,207.

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

- \$8,849,065 of infrastructure – water infrastructure improvements.
- \$162,688 of machinery, equipment and vehicles – sidewalks and streets

The following table depicts the Town's capital assets:

	June 30, 2019			June 30, 2018		
	Governmental	Proprietary	Total	Governmental	Proprietary	Total
Capital Assets, at Cost	\$ 6,856,057	\$ 33,247,230	\$ 40,103,287	\$ 6,686,473	\$ 29,625,954	\$ 36,312,427
Less: Accum. Depreciation	3,266,556	6,445,611	9,712,167	2,912,081	5,492,879	8,404,960
Net Capital Assets	\$ 3,589,501	\$ 26,801,619	\$ 30,391,120	\$ 3,774,392	\$ 24,133,075	\$ 27,907,467

Long-Term Debt: At the end of the current fiscal year, the Town had total long-term debt of \$22,685,476, of which \$499,242 is due within one year, and the remaining \$22,186,234 is due in subsequent years. \$1,531,324 of the debt was related to governmental activities, and \$21,154,152 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 \$4,178,451 during the fiscal year, primarily due to draws for water infrastructure construction exceeding principal on the construction loans for the new water infrastructure loans.

Economic Factors and Next Year's Budget and Rates

The Town's business base continues to remain constant. The net assessable real property base for the Town continues to grow. The tax rates for FY 2019-2020 are \$.47 and \$.90 per \$100 of assessed value of real and business personal property, respectively.

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, 2019

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 689,764	\$ 1,324,608	\$ 2,014,372
Restricted cash	9,000	110,017	119,017
Investments	96,611	- 0 -	96,611
Accounts receivable - taxes	25,069	- 0 -	25,069
Due from other governments	124,138	736,956	861,094
Service charges receivable - net of allowance	34,575	233,135	267,710
Other receivables	- 0 -	358,321	358,321
Prepaid expenses	1,742	1,593	3,335
TOTAL CURRENT ASSETS	980,899	2,764,630	3,745,529
CAPITAL ASSETS			
Land - nondepreciable	442,647	100,491	543,138
Construction in progress - nondepreciable	- 0 -	129,363	129,363
Buildings, infrastructure and equipment	6,413,410	33,017,376	39,430,786
Less: accumulated depreciation	(3,266,556)	(6,445,611)	(9,712,167)
TOTAL CAPITAL ASSETS	3,589,501	26,801,619	30,391,120
OTHER ASSETS			
Internal balances	130,348	(130,348)	- 0 -
TOTAL OTHER ASSETS	130,348	(130,348)	- 0 -
TOTAL ASSETS	4,700,748	29,435,901	34,136,649
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	48,376	179,994	228,370
Current portion - long term obligations	206,740	292,502	499,242
TOTAL CURRENT LIABILITIES	255,116	472,496	727,612
NONCURRENT LIABILITIES			
Long term obligations	1,367,462	20,896,255	22,263,717
Unearned income	- 0 -	1,192,402	1,192,402
TOTAL LIABILITIES	1,622,578	22,561,153	24,183,731
NET POSITION			
Net investment in capital assets	2,058,177	5,537,066	7,595,243
Restricted	9,000	110,017	119,017
Unrestricted	1,010,993	1,227,665	2,238,658
TOTAL NET POSITION	\$ 3,078,170	\$ 6,874,748	\$ 9,952,918

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Activities
For the Year Ended June 30, 2019

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	\$ 217,589	\$ 6,900	\$ - 0 -	\$ - 0 -	\$ (210,689)	\$ - 0 -	\$ (210,689)
Public safety - police	573,267	6,638	29,282	- 0 -	(537,347)	- 0 -	(537,347)
Public safety - planning, zoning & code enforcement	117,710	13,945	- 0 -	- 0 -	(103,765)	- 0 -	(103,765)
Public works - general	103,472	- 0 -	- 0 -	- 0 -	(103,472)	- 0 -	(103,472)
Public works - streets	281,063	3,000	76,379	- 0 -	(201,684)	- 0 -	(201,684)
Public works - solid waste collection	264,047	15,227	3,830	- 0 -	(244,990)	- 0 -	(244,990)
Public works - storm water management	19,476	- 0 -	- 0 -	- 0 -	(19,476)	- 0 -	(19,476)
Parks and recreation	138,529	430	- 0 -	- 0 -	(138,099)	- 0 -	(138,099)
Disaster response	357	- 0 -	- 0 -	- 0 -	(357)	- 0 -	(357)
Interest on long-term debt	60,354	- 0 -	- 0 -	- 0 -	(60,354)	- 0 -	(60,354)
Total Governmental Activities	<u>1,775,864</u>	<u>46,140</u>	<u>109,491</u>	<u>- 0 -</u>	<u>(1,620,233)</u>	<u>- 0 -</u>	<u>(1,620,233)</u>
Business Type Activities:							
Water system	948,743	633,174	85,172	857,836	- 0 -	627,439	627,439
Sewer system	1,684,904	663,404	18,288	- 0 -	- 0 -	(1,003,212)	(1,003,212)
Total Business-Type Activities	<u>2,633,647</u>	<u>1,296,578</u>	<u>103,460</u>	<u>857,836</u>	<u>- 0 -</u>	<u>(375,773)</u>	<u>(375,773)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,409,511</u>	<u>\$ 1,342,718</u>	<u>\$ 212,951</u>	<u>\$ 857,836</u>	<u>(1,620,233)</u>	<u>(375,773)</u>	<u>(1,996,006)</u>
GENERAL REVENUES:							
Real and personal property taxes					952,381	- 0 -	952,381
Debt service tax					364,270	- 0 -	364,270
Income and other local taxes					292,548	- 0 -	292,548
Grants and contributions not restricted to specific programs					53,139	- 0 -	53,139
Interest and investment income					11,513	17,266	28,779
Miscellaneous					6,552	117,901	124,453
Transfers in (out)					100,000	(100,000)	- 0 -
TOTAL GENERAL REVENUES AND TRANSFERS					<u>1,780,403</u>	<u>35,167</u>	<u>1,815,570</u>
CHANGE IN NET POSITION					<u>160,170</u>	<u>(340,606)</u>	<u>(180,436)</u>
NET POSITION - BEGINNING OF YEAR					<u>2,918,000</u>	<u>7,215,354</u>	<u>10,133,354</u>
NET POSITION - ENDING OF YEAR					<u>\$ 3,078,170</u>	<u>\$ 6,874,748</u>	<u>\$ 9,952,918</u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	
ASSETS		
Cash and cash equivalents	\$ 689,764	
Restricted cash	9,000	
Investments	96,611	
Accounts receivable - taxes	25,069	
Due from other governments	124,138	
Service charges receivable - net of allowance	34,575	
Prepaid expenses	1,742	
Due from other funds	130,348	
TOTAL ASSETS		\$ 1,111,247
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued expenses	\$ 48,376	
TOTAL LIABILITIES		\$ 48,376
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - income taxes	73,483	
Unavailable revenue - property taxes	1,374	
Unavailable revenue - service charges	34,479	
TOTAL DEFERRED INFLOWS OF RESOURCES		109,336
 FUND BALANCES		
Nonspendable	1,742	
Restricted	9,000	
Assigned	159,963	
Unassigned	782,830	
TOTAL FUND BALANCES		953,535
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		\$ 1,111,247

See accompanying notes to financial statements

TOWN OF RISING SUN

Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2019

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 953,535

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	\$ 6,856,057	
Less: accumulated depreciation	(3,266,556)	
Net Capital Assets	<u>3,589,501</u>	3,589,501

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

General obligation debt	(1,531,324)	
Compensated absences	(42,878)	
	<u>(1,574,202)</u>	(1,574,202)

Revenues that are measurable but not collected with 60 days
are not considered available for use in the near term, and
therefore are reported as deferred inflows of resources in the
governmental funds.

Income taxes	73,483	
Property taxes	1,374	
Service charges	34,479	
	<u>109,336</u>	109,336

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,078,170

TOWN OF RISING SUN

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2019

		General Fund
REVENUES		
Taxes		
Local real and personal property	\$	956,021
Debt service		364,270
Income and other local		275,712
Licenses and permits		17,705
Intergovernmental		
State		105,661
County		58,498
Charges for service		18,792
Investment income		11,513
Miscellaneous		8,456
Total Revenues	\$	1,816,628
EXPENDITURES		
Current operating		
General government		197,418
Public safety - police		509,370
Public safety - planning, zoning & code enforcement		113,392
Public works - general		49,095
Public works - streets and sidewalks		141,060
Public works - solid waste collection		263,415
Public works - stormwater management		18,365
Parks and recreation		61,697
Capital expenditures		169,584
Debt service - principal		185,558
Debt service - interest		60,354
Total Expenditures		1,769,308
EXCESS OF REVENUES OVER EXPENDITURES		47,320
OTHER FINANCING SOURCES		
Transfers in (out)		100,000
Loan proceeds		149,535
Total other financing sources		249,535
NET CHANGE IN FUND BALANCES		296,855
FUND BALANCES - BEGINNING		656,680
FUND BALANCES - ENDING	\$	953,535

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, 2019

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	296,855
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
<p>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 \$354,475 exceeded capital expenditures of \$169,584 in the current period.</p>		
		(184,891)
<p>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.</p>		
		185,558
<p>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.</p>		
		(149,535)
<p>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.</p>		
Income taxes	\$	16,836
Property taxes		(3,640)
Service charges		6,410
		19,606
<p>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.</p>		
		(7,423)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	160,170

TOWN OF RISING SUN

Statement of Net Position - Proprietary Funds
June 30, 2019

	Major Proprietary Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 678,883	\$ 645,725	\$ 1,324,608
Restricted cash	24,500	85,517	110,017
Due from other governments	500,000	236,956	736,956
Service charges receivable - net of allowance	131,746	101,389	233,135
Other receivables	357,836	485	358,321
Prepaid expenses	1,181	412	1,593
Due from other funds	- 0 -	58,532	58,532
TOTAL CURRENT ASSETS	<u>1,694,146</u>	<u>1,129,016</u>	<u>2,823,162</u>
CAPITAL ASSETS			
Land - nondepreciable	69,144	31,347	100,491
Construction in progress - nondepreciable	129,363	- 0 -	129,363
Buildings, infrastructure and equipment	13,093,626	19,923,750	33,017,376
Less: accumulated depreciation	<u>(2,211,878)</u>	<u>(4,233,733)</u>	<u>(6,445,611)</u>
TOTAL CAPITAL ASSETS	<u>11,080,255</u>	<u>15,721,364</u>	<u>26,801,619</u>
TOTAL ASSETS	<u>12,774,401</u>	<u>16,850,380</u>	<u>29,624,781</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	145,525	34,469	179,994
Current portion, long term obligations	62,150	230,352	292,502
Due to other funds	<u>171,711</u>	<u>17,169</u>	<u>188,880</u>
TOTAL CURRENT LIABILITIES	<u>379,386</u>	<u>281,990</u>	<u>661,376</u>
NONCURRENT LIABILITIES			
Long term obligations	8,507,255	12,389,000	20,896,255
Unearned income	<u>1,192,402</u>	<u>- 0 -</u>	<u>1,192,402</u>
TOTAL NONCURRENT LIABILITIES	<u>9,699,657</u>	<u>12,389,000</u>	<u>22,088,657</u>
TOTAL LIABILITIES	<u>10,079,043</u>	<u>12,670,990</u>	<u>22,750,033</u>
NET POSITION			
Net investment in capital assets	2,421,608	3,115,458	5,537,066
Restricted for capital projects	24,500	85,517	110,017
Unrestricted	<u>249,250</u>	<u>978,415</u>	<u>1,227,665</u>
TOTAL NET POSITION	<u>\$ 2,695,358</u>	<u>\$ 4,179,390</u>	<u>\$ 6,874,748</u>

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, 2019

	Major Proprietary Funds		
	Water	Sewer	Total
OPERATING REVENUES			
Service fees	\$ 608,674	\$ 638,904	\$ 1,247,578
Connection fees	24,500	24,500	49,000
Operator Grant	- 0 -	18,288	18,288
Bulk water rebate agreement	85,172	- 0 -	85,172
Total Operating Revenue	718,346	681,692	1,400,038
OPERATING EXPENSES			
Bulk water purchase	89,492	- 0 -	89,492
Chemicals and testing	22,764	41,928	64,692
Contracted services and engineering	56,644	153,959	210,603
Other administrative expenses	172,799	129,365	302,164
Payroll taxes and fringe benefits	43,771	32,549	76,320
Repairs and maintenance	26,943	41,862	68,805
Salaries and wages	194,109	145,387	339,496
Supplies and materials	6,426	10,397	16,823
Utilities and telephone	36,814	95,107	131,921
Vehicle expenses	10,159	5,085	15,244
Depreciation	213,715	739,017	952,732
Total Operating Expenses	873,636	1,394,656	2,268,292
OPERATING INCOME (LOSS)	(155,290)	(712,964)	(868,254)
NONOPERATING REVENUES (EXPENSES)			
Grants	857,836	- 0 -	857,836
Interest income	6,739	10,527	17,266
Cell tower rent	21,901	- 0 -	21,901
Gain on sale of land	96,000	- 0 -	96,000
Interest and loan fee expense	(75,107)	(290,248)	(365,355)
Total Nonoperating Revenue (Expense)	907,369	(279,721)	627,648
INCOME (LOSS) BEFORE TRANSFERS	752,079	(992,685)	(240,606)
Transfers in (out)	(100,000)	- 0 -	(100,000)
CHANGE IN FUND NET POSITION	652,079	(992,685)	(340,606)
TOTAL NET POSITION - BEGINNING	2,043,279	5,172,075	7,215,354
TOTAL NET POSITION - ENDING	\$ 2,695,358	\$ 4,179,390	\$ 6,874,748

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2019

	Major Propriety Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 630,923	\$ 665,701	\$ 1,296,624
Other cash receipts - operating grants	- 0 -	18,288	18,288
Other cash receipts - bulk water rebate	1,277,574	- 0 -	1,277,574
Cash paid to suppliers for goods and services	(351,384)	(530,563)	(881,947)
Cash paid to employees for services	(183,129)	(141,766)	(324,895)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,373,984</u>	<u>11,660</u>	<u>1,385,644</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Advances from other funds	1,700,459	1,279,840	2,980,299
Repayments to other funds	(2,198,830)	(1,034,103)	(3,232,933)
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>(498,371)</u>	<u>245,737</u>	<u>(252,634)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Repayments of long term debt	(61,841)	(225,941)	(287,782)
Proceeds from sale of assets	101,000	- 0 -	101,000
Proceeds from long term debt	4,502,256	- 0 -	4,502,256
Acquisition of property, plant and equipment	(5,274,309)	- 0 -	(5,274,309)
Interest payments and administrative fees paid on bond	(75,107)	(286,712)	(361,819)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(808,001)</u>	<u>(512,653)</u>	<u>(1,320,654)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts of interest and other income	28,640	10,527	39,167
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>28,640</u>	<u>10,527</u>	<u>39,167</u>
NET INCREASE (DECREASE) IN CASH	96,252	(244,729)	(148,477)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>607,131</u>	<u>975,971</u>	<u>1,583,102</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 703,383</u>	<u>\$ 731,242</u>	<u>\$ 1,434,625</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (155,290)	\$ (712,964)	\$ (868,254)
Add depreciation and amortization expense	213,715	739,017	952,732
(Increase) decrease in current assets			
Accounts receivable	(2,251)	2,297	46
Prepaid expenses	162	1,321	1,483
Increase in current liabilities			
Accounts payable and accrued expenses	125,246	(18,011)	107,235
Unearned income	1,192,402	- 0 -	1,192,402
Net Cash Flows From Operating Activities	<u>\$ 1,373,984</u>	<u>\$ 11,660</u>	<u>\$ 1,385,644</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AS REPORTED IN STATEMENT OF NET POSITION PROPRIETARY FUNDS			
Cash and cash equivalents	\$ 678,883	\$ 645,725	\$ 1,324,608
Restricted cash	24,500	85,517	110,017
Total cash and cash equivalents	<u>\$ 703,383</u>	<u>\$ 731,242</u>	<u>\$ 1,434,625</u>

See accompanying notes to financial statements

TOWN OF RISING SUN

Statement of Fiduciary Net Position - Fiduciary Fund
June 30, 2019

	Employee Benefit Plans
ASSETS	
Investments with fiscal agents	\$ 693,834
NET POSITION	
Held in trust for employee benefit plans	\$ 693,834

Statement of Changes in Fiduciary Net Position - Fiduciary Fund
For the Year Ended June 30, 2019

	Employee Benefit Plans
CONTRIBUTIONS	
Employer	\$ 23,429
Employees	26,619
Investment gains	21,453
Total Contributions	71,501
DISTRIBUTIONS	
Benefits paid	6,621
Total Distributions	6,621
CHANGE IN NET POSITION	64,880
TOTAL NET POSITION - BEGINNING	628,954
TOTAL NET POSITION - ENDING	\$ 693,834

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2019

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, 2019

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. Accordingly, only current assets and current liabilities are included in the balance sheets. The Town's deferred outflows or resources and deferred inflows of resources are noncurrent.

The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under 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.

Since the governmental funds financial statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentation.

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 related to the water and wastewater system upgrades.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2019

1. Summary of Significant Accounting Policies (continued)

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 may occur 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. During the year business-type activities transferred \$100,000 to governmental 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.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2019

1. Summary of Significant Accounting Policies (continued)

Budgetary Data – Formal budgetary accounting is employed as a management control for all funds of the Town. Annual operating budgets are adopted, after public hearings, by passing of 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.

New Accounting Pronouncements - During the year ended June 30, 2019, the Town implemented GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*.

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 and funds received for impact fees from annexations.

Investments – Consists of donated stocks held by the Town and reported at fair 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, 2019, management has recorded an allowance of \$312,147 related to 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, 2019, the balance of real property taxes receivable was \$19,328. Of this amount, \$1,374 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, 2019, the balance of personal property taxes receivable was \$5,741. The balance that was not collected within 60 days of year-end is immaterial.

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, 2019, the balance due from other governments to the general fund was \$124,138. Of this amount, \$73,483 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 \$50,655 due from other governments were received within the 60 day period. The water and sewer funds had receivables from other governments related to capital grants of \$500,000 and \$236,956, respectively.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2019

1. Summary of Significant Accounting Policies (continued)

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, 2019, the balance of service charges receivable were as follows: Trash \$34,575 (net of allowance of \$72,499), Water \$131,746 (net of allowance of \$156,149) and Sewer \$101,389 (net of allowance of \$83,499). Of these amounts, \$34,479 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.

Other Receivables – The water fund had other receivables consisting primarily of construction costs reimbursements of \$357,836.

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 15, 2015 are stated at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. 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

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.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2019

1. Summary of Significant Accounting Policies (continued)

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 \$26,801,619 is reduced by bonds payable of \$21,154,152 and further reduced by \$110,401 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, 2019, the Town reported \$61,017 of restricted net position to be used to fund capital expansion and replacement of the sewer system and \$58,000 of impact fees to be used for public safety and future maintenance and repairs of the Town's streets and water and sewer systems.

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, 2019, the Town reported \$1,742 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, 2019, the Town reported \$9,000 from impact fees to be used for public safety and infrastructure maintenance.

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, 2019, 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, 2019, the Town reported \$26,669 of funds assigned for police expenditures, \$3,504 of funds assigned for employee health savings accounts and \$129,790 for future infrastructure improvements.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2019

1. Summary of Significant Accounting Policies (continued)

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, 2019, the funds reported \$5,537,066 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. Additionally, the Town has funds to be used for future maintenance of the Town's water and sewer systems. As of June 30, 2019, the Town reported \$110,017 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.

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. The resources are maintained in separate bank accounts. Additionally, \$58,000 from impact fees is restricted in use for public safety and maintenance of Town infrastructure.

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, 2019, all pool holdings are in cash and cash equivalents.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2019

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

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, 2019.

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. None of the Town's funds are exposed to custodial credit risk. The Town's deposits are covered by a combination of insurance from the FDIC and securities held by the pledging or financial institution's trust department or agent in the Town's name.

Deposits, by level of risk, are:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 640,935	\$ 639,915
Uninsured, Collateral Held By Pledging Banks Trust Departments in Town's Name	853,735	1,363,315
MD Local Government Investment Pool	638,719	638,719
Total deposits	\$ 2,133,389	\$ 2,641,949

Deposits recorded in the above schedule are reported in the statement of net position as follows:

Cash and cash equivalents	\$ 2,014,372
Restricted cash	119,017
Total deposits	\$ 2,133,389

3. Fair 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, 2019

3. Fair Value of Investments (continued)

The Town has the following recurring fair value measurements as of June 30, 2019:

- Common stocks of \$96,611 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, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Land - nondepreciable	\$ 442,647	\$ - 0 -	\$ - 0 -	\$ 442,647
Building and improvements	1,576,669	- 0 -	- 0 -	1,576,669
Land improvements	615,549	- 0 -	- 0 -	615,549
Infrastructure - sidewalks, streets	2,939,630	6,896	- 0 -	2,946,526
Machinery, equipment and vehicles	1,111,978	162,688	- 0 -	1,274,666
Total	6,686,473	\$ 169,584	\$ - 0 -	6,856,057
 Less: Accumulated Depreciation				
Buildings and improvements	522,771	\$ 32,726	\$ - 0 -	555,497
Land improvements	321,237	30,917	- 0 -	352,154
Infrastructure – sidewalks, streets	1,190,097	194,205	- 0 -	1,384,302
Machinery, equipment and vehicles	877,976	96,627	- 0 -	974,603
Total Governmental Activities	2,912,081	\$ 354,475	\$ - 0 -	3,266,556
Net Capital Assets – Governmental Activities	\$ 3,774,392			\$ 3,589,501

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 17,605
Public Safety – Police	66,608
Public Safety – Code Enforcement	644
Public Works – General	54,220
Public Works – Streets & Sidewalks	138,314
Parks and Recreation	76,727
Disaster Response	357
Total	\$ 354,475

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2019

4. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES:				
Land - nondepreciable	\$ 105,491	\$ - 0 -	\$ 5,000	\$ 100,491
Construction in progress - nondepreciable				
Water system improvements	5,352,152	3,626,276	8,849,065	129,363
Water tanks, mains, wells and plant	3,988,687	8,849,065	- 0 -	12,837,752
Sewer system and improvements	19,714,714	- 0 -	- 0 -	19,714,714
Machinery, equipment and vehicles	464,910	- 0 -	- 0 -	464,910
Total	<u>29,625,954</u>	<u>\$ 12,475,341</u>	<u>\$ 8,854,065</u>	<u>33,247,230</u>
Less: Accumulated Depreciation				
Water tanks, mains and plants	1,771,886	205,898	- 0 -	1,977,784
Sewer system and improvements	3,290,446	735,253	- 0 -	4,025,699
Machinery, equipment and vehicles	430,547	11,581	- 0 -	442,128
Total Business-Type Activities	<u>5,492,879</u>	<u>\$ 952,732</u>	<u>\$ - 0 -</u>	<u>6,445,611</u>
Net Capital Assets - Business-Type Activities	<u>\$ 24,133,075</u>			<u>\$ 26,801,619</u>

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

Water	\$ 213,715
Sewer	739,017
Total	<u>\$ 952,732</u>

Total capitalized interest included in water system improvements was \$175,940 for the year ended June 30, 2019.

5. Long-Term Liabilities

Long-Term liabilities consisted of the following at June 30, 2019:

Governmental Activities:

Direct Borrowings:

In April 2002, the Town obtained a mortgage loan of \$1,398,427 from a local financial institution to fund construction of a new town hall and is secured by certain real property. Monthly principal and interest payments of \$5,758 are due through April 2032. Variable interest is due at 75% of the Wall Street Journal Prime Rate, adjusted every three years. The interest rate at June 30, 2019 was 3.0%. The balance of principal outstanding as of June 30, 2019 was \$767,005.

The mortgage loan contains acceleration provisions that in the event of default the full amount outstanding including accrued interest may become due and payable immediately or the lender may take possession of the property. Defaults would be triggered by events such as bankruptcy or failure to pay principal and interest when due.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2019

5. Long-Term Liabilities (continued)

In January 2009, the Town obtained a loan of \$658,330 from a local financial institution to fund infrastructure improvement projects. Semiannual principal and interest payments of \$32,916 were due through January 2019. Variable interest was due at 75% of the Wall Street Journal Prime Rate. The loan was repaid in full during the year ended June 30, 2019.

In February 2014, the Town obtained a loan of \$609,640 from a local financial institution to fund infrastructure improvement projects and is secured by certain real property. Semiannual principal and interest payments of \$33,307 are due through September 2023. Variable interest is due at 75% of the Wall Street Journal Prime Rate. The interest rate at June 30, 2019 was 4.125%. The balance of principal outstanding as of June 30, 2019 was \$282,555.

In June 2016, the Town obtained a loan of \$225,000 from a local financial institution to fund infrastructure improvement projects. Semi-annual principal and interest payments of \$13,968 are due through June 2026. Variable interest is due at .75% above the Wall Street Journal Prime Rate. The interest rate at June 30, 2019 was 6.25%. The balance of principal outstanding as of June 30, 2019 was \$181,369.

These loans contain acceleration provisions that in the event of default the full amount outstanding including accrued interest may become due and payable immediately. The loans also contain provisions that in the event of default the interest rate may increase by 4% up to 24% or the maximum rate allowable by law. Defaults would be triggered by events such as bankruptcy or failure to pay principal and interest when due.

In November 2015, the Town entered into a capital lease financing agreement in the amount of \$150,000 to purchase town vehicles and is secured by the same vehicles. Annual principal and interest payments of \$31,373 are due through November 2018, then \$12,828 through November 2021. Interest is fixed at 3.954%. The balance of principal outstanding as of June 30, 2019 was \$35,631. Vehicles and equipment associated with this capital lease are valued at \$150,000 and are included in governmental activities capital assets. As of June 30, 2019, \$107,500 is reflected in accumulated depreciation for these assets.

In June 2017, the Town entered into a capital lease financing agreement in the amount of \$174,727 to purchase town vehicles and equipment and is secured by the same vehicles and equipment. Annual principal and interest payments of \$28,352 are due through June 2024. Interest is fixed at 3.29%. The balance of principal outstanding as of June 30, 2019 was \$128,776. Vehicles and equipment associated with this capital lease are valued at \$174,727 and are included in governmental activities capital assets. As of June 30, 2019, \$69,880 is reflected in accumulated depreciation for these assets.

In October 2018, the Town entered into a capital lease financing agreement in the amount of \$149,535 to purchase town vehicles and equipment and is secured by the same vehicles and equipment. Quarterly principal and interest payments of \$8,355 are due through October 2023. The balance of principal outstanding as of June 30, 2019 was \$135,988. Vehicles and equipment associated with this capital lease are valued at \$149,535 and are included in governmental activities capital assets. As of June 30, 2019, \$22,430 is reflected in accumulated depreciation for these assets.

These leases contain acceleration provisions that in the event of default the full amount outstanding including accrued interest may become due and payable immediately or the lender may take possession of the vehicles and equipment. Defaults would be triggered by events such as bankruptcy or failure to pay principal and interest when due.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2019

5. Long-Term Liabilities (continued)

Business-Type Activities:

Direct Borrowings:

In January 2003, the Town obtained a loan of \$1,861,600 from the Maryland Department of the Environment Water Quality Financing Administration to fund the Water Projects to replace water mains and construct a water storage tank. The final amount of the loan issued was \$1,698,717. Annual principal payments are due through February 2032. Interest is fixed at .5% and is due in semi-annual payments through February 2032. The balance of principal outstanding as of June 30, 2019 was \$802,719.

The loan is backed by the full faith and credit of the Town and contains acceleration provisions that in the event of default the full amount outstanding including accrued interest may become due and payable immediately. Additionally, the trustee may intercept revenues due from the State (such as income taxes) to satisfy the debt of the loan. Defaults would be triggered by events such as bankruptcy or failure to pay principal and interest when due.

In November 2016, the Town obtained a loan of \$8,485,000 with a financial institution to provide interim financing for water improvement projects approved by the United States Department of Agriculture (USDA). Monthly interest only payments are due through October 2020 at which time all amounts outstanding are due and payable. Amounts repaid may not be drawn on again. Interest is variable based on 1.2% above LIBOR, with a minimum rate of 1.2%. The interest rate at June 30, 2019 was 3.61%. The balance of principal outstanding as of June 30, 2019 was \$7,745,527.

The loan contains acceleration provisions that in the event of default the full amount outstanding including accrued interest may become due and payable immediately. Defaults would be triggered by events such as bankruptcy or failure to pay principal and interest when due.

General Obligation Bonds:

In November 2014, the Town incurred indebtedness of \$8,098,500 from USDA for the construction of a wastewater treatment plant. The first two payments were made interest only in November 2015 and 2016. Quarterly payments of principal and interest of \$81,066 commenced in February 2017 and are due through November 2054. Interest is fixed at 2.375%. Payments of principal and interest will be made from revenues received by the Town from operation of the wastewater treatment system. The balance of principal outstanding as of June 30, 2019 was \$7,758,962.

In September 2015, the Town incurred indebtedness of \$5,000,000 from USDA as additional funding for the construction of a wastewater treatment plant. The first two payments were made interest only in September 2016 and 2017. Quarterly payments of principal and interest of \$48,050 commenced in December 2017 and are due through September 2055. Interest is fixed at 2.125%. Payments of principal and interest will be made from revenues received by the Town from operation of the wastewater treatment system. The balance of principal outstanding as of June 30, 2019 was \$4,846,944.

In the event such revenues are insufficient to pay the principal and interest, the Town may levy and collect ad valorem taxes on all real and tangible personal property sufficient to provide for such payments when due.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2019

5. Long-Term Liabilities (continued)

The general obligation bonds contain acceleration provisions that in the event of default the full amount outstanding including accrued interest may become due and payable immediately or the lender may take possession of the facility. Defaults would be triggered by events such as bankruptcy or failure to pay principal and interest when due.

During the year ended June 30, 2019, the following changes occurred in long-term obligations:

	<u>Balance 6/30/18</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/19</u>
Governmental Activities				
Direct borrowings	\$ 1,567,347	\$ 149,535	\$ 185,558	\$ 1,531,324
Compensated absences	<u>35,455</u>	<u>10,133</u>	<u>2,710</u>	<u>42,878</u>
Total Governmental Activities	<u>\$ 1,602,802</u>	<u>\$ 159,668</u>	<u>\$ 188,268</u>	<u>\$ 1,574,202</u>
Business-Type Activities				
Direct borrowings	\$ 4,107,831	\$ 4,502,256	\$ 61,841	\$ 8,548,246
General obligation bonds	12,831,847	- 0 -	225,941	12,605,906
Compensated absences	<u>20,004</u>	<u>14,601</u>	<u>- 0 -</u>	<u>34,605</u>
Total Business-Type Activities	<u>\$ 16,959,682</u>	<u>\$ 4,516,857</u>	<u>\$ 287,782</u>	<u>\$ 21,188,757</u>

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>
2020	\$ 206,740	\$ 55,799	\$ 292,502	\$ 546,347
2021	200,246	48,673	8,044,411	347,682
2022	206,947	41,596	304,628	277,843
2023	201,054	34,139	310,499	271,971
2024	159,154	27,082	315,781	266,689
2025 through 2029	361,933	78,204	1,676,499	1,235,839
2030 through 2034	195,250	12,477	1,684,826	1,065,642
2035 through 2039	- 0 -	- 0 -	1,700,567	881,753
2040 through 2044	- 0 -	- 0 -	1,905,121	677,226
2045 through 2049	- 0 -	- 0 -	2,135,169	447,151
2050 through 2054	- 0 -	- 0 -	2,392,580	189,740
2055 through 2056	<u>- 0 -</u>	<u>- 0 -</u>	<u>391,569</u>	<u>5,117</u>
Totals	<u>\$ 1,531,324</u>	<u>\$ 297,970</u>	<u>\$ 21,154,152</u>	<u>\$ 6,213,000</u>

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2019

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, 2019 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, 2019, there was no significant reduction in insurance coverage.

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, 2019, Town employees contributed \$26,619.

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 Commissioners 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, 2019, the Town matched employees' contributions of up to 5%, for a total contribution of \$23,429 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, 2019.

TOWN OF RISING SUN

Notes to Financial Statements
June 30, 2019

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, 2019 consisted of the following:

Due To	Due From	Amount
General Fund	Water Fund	\$ 113,179
General Fund	Sewer Fund	17,169
	Total	\$ 130,348
Sewer Fund	Water Fund	\$ 58,532

Of the amounts above, \$130,348 due to the general 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. \$100,000 of the above represented proceeds from sale of land originally part of the water system and intended to fund future general Town projects. Net interfund transfers between the general and proprietary funds totaled \$252,634.

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 \$61,017 of funds from the United States Department of Agriculture (USDA) restricted to the sewer plant for contingency funding.

The Town is in process of expanding its water system by connecting a new water line with Chester Water Authority. Estimated costs of this project are \$10,510,000. Funding for this project is to be provided by USDA and other sources. As of June 30, 2019, the Town has approximately \$2,045,000 remaining on the project.

As part of the Chest Water Line project, the Town received a rebate of \$1,277,574 for the estimated fees of the first five years of the contract with Chester Water. During the year ended June 30, 2019, the Town recognized \$85,172 of revenue related to this rebate. The remaining balance of \$1,192,402 will be recognized in future years. Additionally, Chester Water Authority agreed to reimburse the Town for a portion of costs incurred for the connection. \$357,836 was paid to the Town after year end and is reflected as other receivables in the water fund.

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 \$8,849,065 and are reflected in these financial statements in water tanks, mains, wells and plant. Of this amount, \$7,964,472 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.

TOWN OF RISING SUN

Notes to Financial Statements June 30, 2019

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 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, 2019, the balance available for draw is \$739,473.

11. Environmental Concerns and Asset Retirement Obligations

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

No liability in accordance with GASB Statement No. 83 *Certain Asset Retirement Obligations* is reported in these financial statements for future retirement of the Town's sewer facility, as estimated costs are not currently determinable.

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, 2019 were \$4,812.

13. Rental Lease Revenue

The Town has a rental agreement to install communication equipment on its water tower. Income received during the year ended June 30, 2019 was \$21,901.

14. Subsequent Event

Subsequent to year end, the Town received reimbursement of capital project costs of \$357,836 as discussed in Note 10.

In March 2020, significant mitigation efforts began taking effect in the United States in an attempt to curtail the spread of the coronavirus (COVID-19) pandemic. Such efforts have included travel restrictions, business closures, and event cancellations. Capital markets have seen significant volatility in the wake of the pandemic and significant economic disruptions are likely to occur. In response, the Town has altered its operations by reducing personnel on-site and by working remotely where possible. Management cannot reasonably estimate the related financial impact and duration of the situation at this time. However, the Town believes it has sufficient cash and investment reserves to sustain operations in the event of continued disruption. Management intends to monitor the situation on an ongoing basis and to continue efforts to reduce its impact on the Town's operations and financial resources.

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through April 23, 2020, 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, 2019

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes - local property	\$ 968,843	\$ 956,021	\$ (12,822)
Taxes - debt service and utility	385,749	364,270	(21,479)
Taxes - income and other local	191,134	275,712	84,578
Licenses & permits	20,434	17,705	(2,729)
Intergovernmental - state	117,858	105,661	(12,197)
Intergovernmental - county	58,497	58,498	1
Charges for service	40,566	18,792	(21,774)
Investment earnings (loss)	3,967	11,513	7,546
Miscellaneous	9,437	8,456	(981)
Proceeds from long term debt	27,304	149,535	122,231
TOTAL REVENUES	1,823,789	1,966,163	142,374
EXPENDITURES			
General government	211,528	197,418	14,110
Public safety - police	589,643	509,370	80,273
Public safety - planning, zoning & code enforcement	161,824	113,392	48,432
Public works - general	69,132	49,095	20,037
Public works - streets & sidewalks	85,848	141,060	(55,212)
Public works - solid waste collection	279,829	263,415	16,414
Public works - stormwater management	43,946	18,365	25,581
Parks & recreation	61,007	61,697	(690)
Disaster response	575	- 0 -	575
Capital expenditures	20,069	169,584	(149,515)
Debt service - principal	210,925	185,558	25,367
Debt service - interest	60,354	60,354	- 0 -
TOTAL EXPENDITURES	1,794,680	1,769,308	25,372
EXCESS OF REVENUES OVER EXPENDITURES	\$ 29,109	\$ 196,855	\$ 167,746

See accompanying notes to required supplementary information

TOWN OF RISING SUN

Notes to Required Supplementary Information June 30, 2019

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, 2019 as follows:

Public works - general	\$ 55,212
Parks and recreation	690
Capital outlays	149,515

Capital outlays of \$149,535 were funded via lease proceeds of the same amount.