

**Town Of La Plata, Maryland**

Financial Report  
June 30, 2010

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## Independent Auditor's Report

To the Town Council  
Town of La Plata, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of La Plata, Maryland as of and for the year ended June 30, 2010, which collectively comprise the Town of La Plata, Maryland's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of La Plata, Maryland's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of La Plata, Maryland's internal controls over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of La Plata, Maryland as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2010, on our consideration of the Town of La Plata, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Combined State Retirement and Pension System of Maryland on pages 3 through 9 and 37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of La Plata, Maryland's basic financial statements. The other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of La Plata, Maryland. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McGladrey & Pullen, LLP*

Frederick, Maryland  
October 27, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDING JUNE 30, 2010

This section of the Town of La Plata, Maryland's ("Town") annual financial report presents its discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2010. Please read it in conjunction with the financial statements, which immediately follow this section.

### Financial Highlights

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$31,997,708 (net assets). Of this amount, \$5,491,343 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.

The total net assets increased by \$1,282,548. Of this amount, \$1,102,842 was associated with governmental and \$179,706 with business-type activities.

As of the close of the current fiscal year, the Town's general fund reported fund balance of \$7,191,040, an increase of \$1,330,667 in comparison to the prior year.

The net assets for business-type activities (Water and Sewer Fund, Sanitation Fund, Nonmajor Proprietary Fund) increased by \$179,706.

The Town's total long-term obligations decreased by \$832,727.

### Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide statements, 2) fund statements, and 3) notes to the financial statements. This report also contains other 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's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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). The government activities of the Town include general government, public safety, public works, recreation and other charges. The major business-type activities of the Town include the collection of fees for sanitation as well as water and sewer services and storm water management.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Town has one major governmental fund, the general fund.

The town adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Services for which the Town charges a fee are generally reported in proprietary funds. The Town's enterprise funds are the same as its business-type activities. However, enterprise fund statements provide more detail and additional information such as cash flows. The Town maintains two major enterprise funds, Water and Sewer Fund and Sanitation Fund.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. Budget comparison for the General Fund is presented immediately after the basic financial statements.

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### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's combined assets exceeded liabilities by \$31,997,708 at the close of the most recent fiscal year.

Of the Town's net assets, 72.3 percent reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, vehicles and mobile equipment, other equipment, infrastructure, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Figure 1

## Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total Town	
	2010	2009	2010	2009	2010	2009
<b>Assets:</b>						
Current and other assets	\$ 7,410,968	\$ 6,353,429	\$ 4,099,216	\$ 3,670,709	\$ 11,510,184	\$ 10,024,138
Capital assets, net	12,676,241	12,890,517	19,477,846	18,364,178	32,154,087	31,254,695
<b>Total assets</b>	<b>20,087,209</b>	<b>19,243,946</b>	<b>23,577,062</b>	<b>22,034,887</b>	<b>43,664,271</b>	<b>41,278,833</b>
<b>Liabilities:</b>						
Long-term liabilities	2,740,874	2,722,497	7,870,508	7,056,158	10,611,382	9,778,655
Other liabilities	197,729	475,685	857,452	309,333	1,055,181	785,018
<b>Total liabilities</b>	<b>2,938,603</b>	<b>3,198,182</b>	<b>8,727,960</b>	<b>7,365,491</b>	<b>11,666,563</b>	<b>10,563,673</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	11,125,273	11,416,586	12,004,567	11,676,150	23,129,840	23,092,736
Restricted	-	-	3,376,525	3,332,692	3,376,525	3,332,692
Unrestricted	6,023,333	4,629,178	(531,990)	(339,446)	5,491,343	4,289,732
<b>Total net assets</b>	<b>\$ 17,148,606</b>	<b>\$ 16,045,764</b>	<b>\$ 14,849,102</b>	<b>\$ 14,669,396</b>	<b>\$ 31,997,708</b>	<b>\$ 30,715,160</b>

**Governmental Activities.** Governmental activities increased the Town's net assets by \$1,102,842, thereby accounting for 86 percent of the total growth in net assets.

Property taxes increased by \$138,627 (4 percent) during the year. The increase was primarily attributable to increases in the taxable base resulting from the continued expiration of Homeowner Tax Credits on existing owner-occupied residential properties. The remainder of the increase was the result of new construction.

Capital grants and contributions decreased by \$380,471. The decrease was caused mostly by the decrease in highway user revenue received from the State of Maryland.

**Business-Type Activities.** The change in net assets of business-type activities was \$179,706, accounting for 14 percent of the total growth in net assets. The Water and Sewer Fund represented (\$28,212) of the change in net assets, the Sanitation Fund represented \$196,346 of the change in net assets, and the Nonmajor Proprietary Fund represented \$11,572 of the change in net assets.

Figure 2

## Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Town	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 181,998	\$ 162,831	\$ 5,095,807	\$ 4,034,594	\$ 5,277,805	\$ 4,197,425
Operating grants and contributions	48,491	71,168	-	-	48,491	71,168
Capital grants and contributions	50,677	431,148	-	3,203,336	50,677	3,634,484
General revenues:						
Property tax	3,826,674	3,688,047	-	-	3,826,674	3,688,047
Franchise fees	161,764	136,275	-	-	161,764	136,275
Intergovernmental	1,366,136	1,814,767	-	-	1,366,136	1,814,767
Investment earnings	76,737	104,276	966	64,946	77,703	169,222
Miscellaneous	87,944	42,550	-	-	87,944	42,550
Transfers	551,639	109,720	(551,639)	(109,720)	-	-
<b>Total revenues</b>	<b>6,352,060</b>	<b>6,560,782</b>	<b>4,545,134</b>	<b>7,193,156</b>	<b>10,897,194</b>	<b>13,753,938</b>
<b>Expenses:</b>						
General government	1,338,240	2,430,281	-	-	1,338,240	2,430,281
Public safety	1,352,036	1,170,997	-	-	1,352,036	1,170,997
Public works	1,156,483	1,103,731	-	-	1,156,483	1,103,731
Recreation	417,874	284,454	-	-	417,874	284,454
Water and sewer services	-	-	3,550,399	3,568,329	3,550,399	3,568,329
Sanitation and waste removal	-	-	779,574	899,790	779,574	899,790
Storm water management	-	-	35,455	-	35,455	-
Miscellaneous	884,443	780,194	-	-	884,443	780,194
Interest on long-term debt	100,142	110,044	-	-	100,142	110,044
<b>Total expenses</b>	<b>5,249,218</b>	<b>5,879,701</b>	<b>4,365,428</b>	<b>4,468,119</b>	<b>9,614,646</b>	<b>10,347,820</b>
<b>Increase in net assets</b>	<b>\$ 1,102,842</b>	<b>\$ 681,081</b>	<b>\$ 179,706</b>	<b>\$ 2,725,037</b>	<b>\$ 1,282,548</b>	<b>\$ 3,406,118</b>

## Financial Analysis of the Town's Funds

The Town of La Plata remains strong financially. The Town Treasurer continues to remain conservative in his approach to budgeting and investing. However, the Town's assessable tax base has temporarily plateaued and is not expected to grow significantly in the near future due to the general weakness in the overall economy. Insuring the Town remains financially strong in this environment will require vigilance and careful management of the Town's resources.

Residential construction activity increased substantially in FY10, compared to FY09, with 49 permits having a total value of \$5,527,679 being issued. There were fewer commercial permits issued in FY10 (25) than there were in FY 09 (37) and the value of the work per permit decreased from \$451,673 to \$353,048 or 22 percent. The majority of the commercial development in FY10 was construction of new office and commercial buildings.

The Water and Sewer Fund is an enterprise fund where the costs of operation are shared equally by the users. As with most municipalities throughout the United States the Water and Sewer Fund will have its challenges in the coming years due to aging infrastructure. The Town retained the tiered water and sewer rate structure in FY10 that was initiated in FY 08, to encourage conservation. The Town Council continues with its philosophy of having new development pay for any infrastructure improvements required to accommodate the demands placed on the Town's infrastructure by the new development. With the decrease in building activities, the amount of major facility revenue collected has dropped correspondingly but the amount collected in FY10 exceeded the amount expended. There is still a sizable reserve in the major facility fee fund but it will only cover existing debt service costs for about five years, if development doesn't pick-up.

### Budget Highlights

There were two supplemental appropriations that occurred in FY10. One was the appropriation of the \$19,304 Byrne Grant from the US Department of Justice that was used for technology enhancements and upgrades in the police departments. The second supplemental appropriation was the \$114,000 Program Open Space/Community Parks and Playgrounds grant from the Maryland Department of Natural Resources that was used to obtain new play equipment for two Town parks, install new edging and mulch at five parks and resurface two tennis courts.

### Capital Asset and Debt Administration

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2010, was \$32,154,087 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, vehicles and mobile equipment, other equipment, infrastructure, and construction in progress. More detailed information about capital assets can be found in Note 6 to the basic financial statements.

**Figure 3**

**Capital Assets, Net of Depreciation**

	Governmental Activities		Business-Type Activities		Total Town	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,683,801	\$ 3,525,695	\$ 399,295	\$ 399,295	\$ 4,083,096	\$ 3,924,990
Buildings	5,268,638	5,497,423	8,656,082	3,887,063	13,924,720	9,384,486
Improvements other than buildings	443,117	133,145	6,670	10,580,773	449,787	10,713,918
Vehicles and mobile equipment	463,907	581,559	227,843	739,108	691,750	1,320,667
Other equipment	152,276	146,980	123,632	-	275,908	146,980
Water tower	-	-	-	1,738,075	-	1,738,075
Infrastructure	2,631,985	3,005,715	7,838,419	715,304	10,470,404	3,721,019
Construction in progress	32,517	-	2,225,905	304,560	2,258,422	304,560
<b>Total</b>	<b>\$ 12,676,241</b>	<b>\$ 12,890,517</b>	<b>\$ 19,477,846</b>	<b>\$ 18,364,178</b>	<b>\$ 32,154,087</b>	<b>\$ 31,254,695</b>

The Town added \$352,626 of new capital assets in governmental activities in FY10. Among them were numerous park improvements (\$155,678), four new police cars (\$88,426) and the initial payments on the Town's new enterprise resource planning/financial management system (\$24,389).

The Town added five business-type activities capital assets in FY10. The two largest ones that comprised the majority of the \$1,944,924 increase were the Willow Lane Sewer Pump Station and Force Main Upgrade project and related bonding costs (\$1,711,949) and the Enhance Nutrient Removal project at the waste water treatment plant (\$209,395).

**Long-term Debt.** At June 30, 2010, the Town had total outstanding debt of \$10,611,382. Total debt for the Governmental activities is \$2,740,874. Total outstanding debt for business-type activities is \$7,870,508. More detailed information about long-term debt can be found in Note 7 to the basic financial statements.

**Figure 4**

**Long-Term Liabilities**

	Governmental Activities		Business-Type Activities		Total Town	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 2,360,848	\$ 2,558,156	\$ 2,740,976	\$ 1,554,303	\$ 5,101,824	\$ 4,112,459
Revenue bonds	-	-	5,109,110	5,471,783	5,109,110	5,471,783
Notes payable	186,577	30,000	-	-	186,577	30,000
Accumulated unused compensated absences	193,449	134,341	20,422	30,072	213,871	164,413
<b>Total</b>	<b>\$ 2,740,874</b>	<b>\$ 2,722,497</b>	<b>\$ 7,870,508</b>	<b>\$ 7,056,158</b>	<b>\$ 10,611,382</b>	<b>\$ 9,778,655</b>

## **Factors Bearing on Town's Future**

Southern Maryland continues to be a very desirable place to live and work but given the current economic environment, the Town's growth has slowed. Work on two of the four large residential developments that are planned for the Town has essentially come to a standstill while work on the third is moving forward very slowly, and the fourth has no movement. On the upside, a new State Court building has been completed, several new restaurants have opened or are under construction and a new commercial office building is under construction.

While the rate of growth has temporarily slowed from the pace of the last several years, the Town is still focused on assuring that it has adequate public facilities and resources to accommodate the growth when it does occur. The Town continues to evaluate and improve its water supply and sewage collection systems. To this end, the \$5.2 million Willow Lane Sewer Pump Station and sewer main upgrade project, which is being funded primarily through low interest loans from the Maryland Department of the Environment (MDE), is well under way. The completion of this project will address several of the Town's existing sewer system capacity issues and position it to readily accommodate future growth on the eastern side of Town. The design and engineering work on the Enhanced Nutrient Removal (ENR) upgrades to waste water treatment plant are approximately 60% complete and the Town is hopeful that construction on these upgrades will commence in the spring of 2011. The Town has also tentatively received \$1.0 million in funding from MDE to replace all of the water meters in town with remote read meters and to acquire and install an automatic/remote meter reading system. The Town is also continuing to work with Charles County, the Town of Indian Head and MDE to manage the water resources and increase its appropriations. The Town Council continues to use the Water and Sewer Advisory Committee to evaluate any new proposed large projects for their impact. The Town is also continually working with the County to assure there is adequate capacity in the schools.

In addition to these major projects, the Town continues to work on identifying and repairing problem areas in its existing infrastructure, with a major focus on reducing inflow and infiltration of storm water into the sanitary sewer system, during heavy rains and snowmelts.

Job creation and retention in Charles County remains good. Unemployment rates are below that of Maryland as a whole and below the nation as a whole. In addition, the two major military bases in Southern Maryland fared well in the base realignments. The military facility in nearby Indian Head remained the County's largest employer.

## **Contacting the Town's Financial Management**

This financial report is designed to provide the Town's citizens, stakeholders, elected officials, and the financial market with a general overview of the Town's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information, address the Treasurer, Town of La Plata, P.O. Box 2268, La Plata, MD 20646.

Town Of La Plata, Maryland

Statement Of Net Assets

June 30, 2010

	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Assets</b>			
Equity in pooled cash and cash equivalents	\$ 553,336	\$ 1,727,927	\$ 2,281,263
Investments, including accrued interest	7,511,877	-	7,511,877
Accounts receivables:			
Property taxes	99,971	-	99,971
Water, sewer, sanitation, and storm water services	-	1,143,456	1,143,456
Other receivables	28,438	-	28,438
Due from other governments	217,937	-	217,937
Internal balances	(1,127,298)	1,127,298	-
Bond issuance costs	27,137	100,535	127,672
Prepays	99,570	-	99,570
Capital assets:			
Nondepreciable assets	3,716,318	2,625,200	6,341,518
Depreciable assets, net	8,959,923	16,852,646	25,812,569
<b>Total assets</b>	<b>20,087,209</b>	<b>23,577,062</b>	<b>43,664,271</b>
<b>Liabilities</b>			
Accounts payable	107,759	803,063	910,822
Accrued liabilities	89,970	54,389	144,359
Noncurrent liabilities:			
Due within one year	269,890	485,908	755,798
Due in more than one year	2,470,984	7,384,600	9,855,584
<b>Total liabilities</b>	<b>2,938,603</b>	<b>8,727,960</b>	<b>11,666,563</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	11,125,273	12,004,567	23,129,840
Restricted for major facility fee	-	3,376,525	3,376,525
Unrestricted (deficit)	6,023,333	(531,990)	5,491,343
<b>Total net assets</b>	<b>\$ 17,148,606</b>	<b>\$ 14,849,102</b>	<b>\$ 31,997,708</b>

See Notes To Basic Financial Statements.

Town Of La Plata, Maryland

Statement Of Activities  
Year Ended June 30, 2010

Function/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions
<b>Governmental Activities:</b>				
General government	\$ 1,338,240	\$ 161,648	\$ -	\$ -
Public safety	1,352,036	5,350	48,491	-
Public works	1,156,483	-	-	50,677
Parks, recreation and culture	417,874	15,000	-	-
Miscellaneous	884,443	-	-	-
Interest on long-term debt	100,142	-	-	-
<b>Total governmental activities</b>	<b>5,249,218</b>	<b>181,998</b>	<b>48,491</b>	<b>50,677</b>
<b>Business-Type Activities:</b>				
Water and sewer services	3,550,399	3,927,550	-	-
Sanitation and waste removal	779,574	1,121,230	-	-
Storm water management	35,455	47,027	-	-
<b>Total business-type activities</b>	<b>4,365,428</b>	<b>5,095,807</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 9,614,646</b>	<b>\$ 5,277,805</b>	<b>\$ 48,491</b>	<b>\$ 50,677</b>

**General Revenues:**

Property tax  
Franchise fees  
Intergovernmental  
Investment earnings  
Miscellaneous  
Transfers

**Total general revenues and transfers**

**Change in net assets**

**Net Assets:**

Beginning

Ending

See Notes To Basic Financial Statements.

Net (Expense) Revenue And  
Change In Net Assets

Governmental Activities	Business- Type Activities	Total Primary Government
\$ (1,176,592)	\$ -	\$ (1,176,592)
(1,298,195)	-	(1,298,195)
(1,105,806)	-	(1,105,806)
(402,874)	-	(402,874)
(884,443)	-	(884,443)
(100,142)	-	(100,142)
<u>(4,968,052)</u>	<u>-</u>	<u>(4,968,052)</u>
-	377,151	377,151
-	341,656	341,656
-	11,572	11,572
<u>-</u>	<u>730,379</u>	<u>730,379</u>
<u>(4,968,052)</u>	<u>730,379</u>	<u>(4,237,673)</u>
3,826,674	-	3,826,674
161,764	-	161,764
1,366,136	-	1,366,136
76,737	966	77,703
87,944	-	87,944
551,639	(551,639)	-
<u>6,070,894</u>	<u>(550,673)</u>	<u>5,520,221</u>
1,102,842	179,706	1,282,548
16,045,764	14,669,396	30,715,160
<u>\$ 17,148,606</u>	<u>\$ 14,849,102</u>	<u>\$ 31,997,708</u>

Town Of La Plata, Maryland

Balance Sheet - Governmental Funds  
June 30, 2010

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in pooled cash and cash equivalents	\$ 541,375	\$ 11,961	\$ 553,336
Investments, including accrued interest	7,511,877	-	7,511,877
Property taxes receivable	99,971	-	99,971
Other receivables	28,438	-	28,438
Due from other governments	143,937	74,000	217,937
Prepays	99,570	-	99,570
<b>Total assets</b>	<b>\$ 8,425,168</b>	<b>\$ 85,961</b>	<b>\$ 8,511,129</b>
<b>Liabilities And Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 107,759	\$ -	\$ 107,759
Accrued liabilities	73,071	-	73,071
Due to other funds	1,053,298	74,000	1,127,298
<b>Total liabilities</b>	<b>1,234,128</b>	<b>74,000</b>	<b>1,308,128</b>
Fund Balances:			
Reserved for:			
Prepays	99,570	-	99,570
Unreserved:			
Designated for:			
Willow Lane future upgrade	34,500	-	34,500
Parks and recreation facilities	200,965	-	200,965
Transportation improvements	403,150	-	403,150
Vehicle replacement	669,819	-	669,819
Forest conservation	8,774	-	8,774
Contingency fund	1,600,000	-	1,600,000
Unreserved and undesignated	4,174,262	11,961	4,186,223
<b>Total fund balances</b>	<b>7,191,040</b>	<b>11,961</b>	<b>7,203,001</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,425,168</b>	<b>\$ 85,961</b>	<b>\$ 8,511,129</b>

See Notes To Basic Financial Statements.

Town Of La Plata, Maryland

Reconciliation Of The Governmental Funds Balance Sheet  
To The Statement Of Net Assets  
June 30, 2010

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Total fund balance - governmental funds	\$	7,203,001
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	\$	15,931,630	
Accumulated depreciation		<u>(3,255,389)</u>	12,676,241

Bond issuance costs expensed by the funds at the time of issuance but deferred and amortized in the governmental statement of activities.

27,137

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

General obligation bonds	(2,360,848)	
Accrued interest payable	(16,899)	
Notes payable	(186,577)	
Accumulated unused compensated absences	<u>(193,449)</u>	<u>(2,757,773)</u>

**Net assets of governmental activities**

**\$ 17,148,606**

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See Notes To Basic Financial Statements.

Town Of La Plata, Maryland

Statement Of Revenues, Expenditures, And Changes  
 In Fund Balance - Governmental Funds  
 Year Ended June 30, 2010

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 5,031,222	\$ -	\$ 5,031,222
Licenses and permits	301,175	-	301,175
Intergovernmental	127,456	133,300	260,756
Service charges	37,237	-	37,237
Miscellaneous	170,031	-	170,031
<b>Total revenues</b>	<b>5,667,121</b>	<b>133,300</b>	<b>5,800,421</b>
<b>Expenditures:</b>			
Current:			
General government	1,475,769	-	1,475,769
Public safety	1,254,595	-	1,254,595
Public works	907,036	-	907,036
Parks, recreation and culture	240,951	-	240,951
Miscellaneous	870,825	-	870,825
Capital outlay	-	126,516	126,516
Debt service:			
Principal	215,731	-	215,731
Interest	98,186	-	98,186
<b>Total expenditures</b>	<b>5,063,093</b>	<b>126,516</b>	<b>5,189,609</b>
<b>Other financing sources:</b>			
Proceeds from long-term borrowings	175,000	-	175,000
Transfers in	551,639	-	551,639
<b>Total other financing sources</b>	<b>726,639</b>	<b>-</b>	<b>726,639</b>
<b>Net change in fund balances</b>	<b>1,330,667</b>	<b>6,784</b>	<b>1,337,451</b>
<b>Fund balance:</b>			
Beginning	5,860,373	5,177	5,865,550
Ending	\$ 7,191,040	\$ 11,961	\$ 7,203,001

See Notes To Basic Financial Statements.

**Town Of La Plata, Maryland**

**Reconciliation Of The Governmental Funds Statement Of Revenues,  
Expenditures, And Changes In Fund Balance To The Statement Of Activities  
Year Ended June 30, 2010**

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Total net change in fund balance - governmental funds	\$	1,337,451
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital outlays	\$	352,626	
Depreciation		<u>(566,902)</u>	(214,276)

Repayment of loan payable principal is an expenditure in the general fund, but the repayment reduces noncurrent liabilities in the statement of net assets.	215,731
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, thus requiring the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest on the long-term debt. This is the amount by which accrued interest (increased) decreased.	1,676
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Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount by which accumulated unused compensated absences increased.	(59,108)
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Proceeds from long-term debt is another financing source in the general fund, but represents noncurrent liabilities in the statement of net assets.	(175,000)
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Bond issuance costs related to long-term debt is an expenditure in the general fund, but this cost increases noncurrent assets in the statement of net assets. This is the amount of bond issuance costs amortization.	(3,632)
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<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>1,102,842</u></b>
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See Notes To Basic Financial Statements.

Town Of La Plata, Maryland

Statement Of Revenues, Expenditures, And Changes In  
Fund Balance - Budget And Actual - General Fund  
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance With Amended Budget Positive (Negative)
	Original	Amended		
<b>Revenues:</b>				
Taxes	\$ 4,837,455	\$ 4,837,455	\$ 5,031,222	\$ 193,767
Licenses and permits	283,600	283,600	301,175	17,575
Intergovernmental	60,000	60,000	127,456	67,456
Service charges	33,250	33,250	37,237	3,987
Miscellaneous	102,200	102,200	170,031	67,831
<b>Total revenues</b>	<b>5,316,505</b>	<b>5,316,505</b>	<b>5,667,121</b>	<b>350,616</b>
<b>Expenditures:</b>				
Current:				
General government	1,706,735	1,706,735	1,468,660	238,075
Public safety	1,442,050	1,442,050	1,261,395	180,655
Public works	1,194,955	1,194,955	907,036	287,919
Parks, recreation and culture	493,465	493,465	252,951	240,514
Miscellaneous	993,296	993,296	870,825	122,471
Debt service	314,250	314,250	313,917	333
<b>Total expenditures</b>	<b>6,144,751</b>	<b>6,144,751</b>	<b>5,074,784</b>	<b>1,069,967</b>
<b>Other financing sources:</b>				
Proceeds from long-term borrowings	-	-	175,000	175,000
Transfers in	467,159	467,159	551,639	84,480
Transfers (out)	(40,000)	(40,000)	-	40,000
<b>Total other financing sources</b>	<b>427,159</b>	<b>427,159</b>	<b>726,639</b>	<b>299,480</b>
<b>Net change in fund balance</b>	<b>\$ (401,087)</b>	<b>\$ (401,087)</b>	<b>1,318,976</b>	<b>\$ 1,720,063</b>
Adjustments to conform with generally accepted accounting principles			11,691	
<b>Fund balance :</b>				
Beginning			5,860,373	
Ending			<u>\$ 7,191,040</u>	

See Notes To Basic Financial Statements.

Town Of La Plata, Maryland

Statement Of Net Assets - Proprietary Funds  
June 30, 2010

	Business Type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Nonmajor Proprietary Fund	Totals
<b>Assets</b>				
Current Assets:				
Equity in pooled cash and cash equivalents	\$ 1,462,474	\$ 265,453	\$ -	\$ 1,727,927
Service charges receivable	846,257	285,058	12,141	1,143,456
Due from other funds	1,129,684	-	-	1,129,684
	<u>3,438,415</u>	<u>550,511</u>	<u>12,141</u>	<u>4,001,067</u>
Noncurrent Assets:				
Bond issuance costs	100,535	-	-	100,535
Capital Assets:				
Land	399,295	-	-	399,295
Buildings	13,330,851	-	-	13,330,851
Improvements	11,190	-	-	11,190
Other equipment	1,328,952	16,403	2,138	1,347,493
Vehicles and mobile equipment	443,123	358,787	-	801,910
Infrastructure	11,773,037	-	-	11,773,037
Construction in process	2,225,905	-	-	2,225,905
	<u>29,512,353</u>	<u>375,190</u>	<u>2,138</u>	<u>29,889,681</u>
Less accumulated depreciation	(10,201,208)	(210,306)	(321)	(10,411,835)
	<u>19,311,145</u>	<u>164,884</u>	<u>1,817</u>	<u>19,477,846</u>
<b>Total assets</b>	<u>22,850,095</u>	<u>715,395</u>	<u>13,958</u>	<u>23,579,448</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	746,068	56,995	-	803,063
Accrued liabilities	51,327	3,062	-	54,389
Due to other funds	-	-	2,386	2,386
Revenue bonds payable	368,476	-	-	368,476
General obligation bonds payable	116,490	-	-	116,490
Compensated absences	942	-	-	942
Noncurrent liabilities:				
Revenue bonds payable	4,740,634	-	-	4,740,634
General obligation bonds payable	2,624,486	-	-	2,624,486
Compensated absences	14,497	4,983	-	19,480
<b>Total liabilities</b>	<u>8,662,920</u>	<u>65,040</u>	<u>2,386</u>	<u>8,730,346</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	11,837,866	164,884	1,817	12,004,567
Restricted for major facility fee	3,376,525	-	-	3,376,525
Unrestricted (deficit)	(1,027,216)	485,471	9,755	(531,990)
<b>Total net assets</b>	<u>\$ 14,187,175</u>	<u>\$ 650,355</u>	<u>\$ 11,572</u>	<u>\$ 14,849,102</u>

See Notes To Basic Financial Statements.

Town Of La Plata, Maryland

Statement Of Revenues, Expenses, And Changes In  
Fund Net Assets - Proprietary Funds  
Year Ended June 30, 2010

	Business Type Activities - Enterprise Funds			
	Water And Sewer Fund	Sanitation Fund	Nonmajor Proprietary Fund	Total
Operating revenues:				
Current use charges	\$ 3,738,568	\$ 1,120,682	\$ 47,027	\$ 4,906,277
Miscellaneous:				
Water meters	23,728	-	-	23,728
Bulk water	2,506	-	-	2,506
Other	162,748	548	-	163,296
	<u>3,927,550</u>	<u>1,121,230</u>	<u>47,027</u>	<u>5,095,807</u>
Operating expenses:				
Salaries and payroll expenses	267,961	243,267	-	511,228
Electricity	450,502	-	-	450,502
Repairs and maintenance of systems and equipment	-	34,987	35,134	70,121
Meter installations	7,919	-	-	7,919
Incidental engineering	54,818	-	-	54,818
Other operating expenses	1,786,685	479,104	-	2,265,789
Depreciation	808,719	22,216	321	831,256
	<u>3,376,604</u>	<u>779,574</u>	<u>35,455</u>	<u>4,191,633</u>
<b>Operating income</b>	<u>550,946</u>	<u>341,656</u>	<u>11,572</u>	<u>904,174</u>
Non-operating revenues (expenses):				
Investment interest	966	-	-	966
Interest expense	(173,795)	-	-	(173,795)
	<u>(172,829)</u>	<u>-</u>	<u>-</u>	<u>(172,829)</u>
<b>Income before transfers</b>	<u>378,117</u>	<u>341,656</u>	<u>11,572</u>	<u>731,345</u>
Transfers out	<u>(406,329)</u>	<u>(145,310)</u>	<u>-</u>	<u>(551,639)</u>
<b>Change in net assets</b>	<u>(28,212)</u>	<u>196,346</u>	<u>11,572</u>	<u>179,706</u>
Net assets:				
Beginning	14,215,387	454,009	-	14,669,396
Ending	<u>\$ 14,187,175</u>	<u>\$ 650,355</u>	<u>\$ 11,572</u>	<u>\$ 14,849,102</u>

See Notes To Basic Financial Statements.

Town Of La Plata, Maryland

Statement Of Cash Flows - Proprietary Funds  
Year Ended June 30, 2010

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Nonmajor Proprietary Fund	Total
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 3,952,518	\$ 1,098,165	\$ 34,886	\$ 5,085,569
Payments to suppliers and employees	(2,020,169)	(766,605)	(35,134)	(2,821,908)
<b>Net cash provided by (used in) operating activities</b>	<b>1,932,349</b>	<b>331,560</b>	<b>(248)</b>	<b>2,263,661</b>
<b>Cash Flows From Non-Capital Financing Activities</b>				
Internal activity – payments from (to) other funds	(1,129,684)	-	2,386	(1,127,298)
Net operating transfers out	(406,329)	(145,310)	-	(551,639)
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>(1,536,013)</b>	<b>(145,310)</b>	<b>2,386</b>	<b>(1,678,937)</b>
<b>Cash Flows From Capital And Related Financing Activities</b>				
Payments for capital assets	(1,942,786)	-	(2,138)	(1,944,924)
Proceeds from issuance of general obligation bonds payable	1,300,533	-	-	1,300,533
Principal payments on bonds	(476,533)	-	-	(476,533)
Interest paid	(245,075)	-	-	(245,075)
<b>Net cash used in capital and related financing activities</b>	<b>(1,363,861)</b>	<b>-</b>	<b>(2,138)</b>	<b>(1,365,999)</b>
<b>Cash Flows From Investing Activities</b>				
Investment interest earned	966	-	-	966
Proceeds from matured investments	593,547	-	-	593,547
<b>Net cash provided by investing activities</b>	<b>594,513</b>	<b>-</b>	<b>-</b>	<b>594,513</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(373,012)</b>	<b>186,250</b>	<b>-</b>	<b>(186,762)</b>
<b>Cash-And-Cash-Equivalents:</b>				
Beginning	1,835,486	79,203	-	1,914,689
Ending	\$ 1,462,474	\$ 265,453	\$ -	\$ 1,727,927
<b>Reconciliation of Operating Income To Net Cash Provided By (Used In) Operating Activities</b>				
Operating income	\$ 550,946	\$ 341,656	\$ 11,572	\$ 904,174
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	808,719	22,216	321	831,256
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	24,968	(23,065)	(12,141)	(10,238)
Increase in accounts payable	548,079	3,904	-	551,983
Increase (decrease) in accrued liabilities	448	(4,312)	-	(3,864)
Decrease in compensated absences	(811)	(8,839)	-	(9,650)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,932,349</b>	<b>\$ 331,560</b>	<b>\$ (248)</b>	<b>\$ 2,263,661</b>

See Notes to Basic Financial Statements.

## Town Of La Plata, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Summary Of Significant Accounting Policies

The Town of La Plata, Maryland, ("Town") was incorporated in 1888 under the provisions of Maryland State Law and adopted a new charter by Resolution No. 1 of the Commission of La Plata on February 1, 1962. The Town operates under a Council-Manager form of government and provides such services as authorized by its Charter.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant accounting policies followed in the preparation of the basic financial statements:

##### A. Reporting Entity

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, organizations, agencies, boards, commissions and authorities for which the Town is financially accountable. The Town has also considered all other potential organizations for which the nature and significance of their relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of the organization's governing body, and 1) the ability of the Town to impose its will on that organization, or 2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the Town. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

##### B. Government-wide and Fund Financial Statements

Government-wide Financial Statements: The government-wide financial statements report information on all of the non-fiduciary activities of the Town. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Statement of Net Assets: This statement is designed to display the financial position of the Town as of year-end. Governmental activities are reported on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets, including infrastructure, as well as long-term debt and obligations. The Town's net assets are reported in three categories – 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted.

Statement of Activities: This statement demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues. The Town does not allocate indirect expenses.

Fund Financial Statements: Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## Town Of La Plata, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Summary Of Significant Accounting Policies (Continued)

Budget-to-Actual Comparison Statements: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual budgets of state and local governments, and have a keen interest in following the financial progress of their governments over the course of the year. For this reason, the Town has chosen to make its General Fund budget-to-actual comparison statements part of the basic financial statements. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons; as a result, both the original adopted budget and the final amended budget have been reflected in this statement.

#### C. Fund Accounting

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net assets, revenues, and expenditures or expenses, as appropriate. The Town has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The Town has one major governmental fund. The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some separate fund are accounted for in this fund.

Proprietary Fund Types: Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position, and cash flows. The Town applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Additionally, the Town has chosen to apply all FASB statements issued after November 30, 1989.

An enterprise fund is used to finance and account for the acquisition, operation, and maintenance of the Town's facilities and services which are supported primarily by user charges. The Town has two major enterprise funds. The Water and Sewer Fund accounts for the operation and maintenance of the water and sanitary sewer system. The Sanitation Fund accounts for the operation of the waste disposal system.

#### D. Measurement Focus and Basis of Accounting

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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## Town Of La Plata, Maryland

### Notes To Basic Financial Statements

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#### Note 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services, and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

The Town is responsible for billing and collecting property taxes in accordance with enabling state legislation. However, the Town has entered into an agreement with Charles County whereby the County bills and collects the Town's share of real estate taxes along with the County's real estate taxes. Property taxes become a lien on the first day of the levy year, which is July 1 to June 30. Tax payments are due in one installment by September 30, or two semiannual installments, by September 30 and December 31, at the taxpayer's option, after which interest is accrued. Unpaid taxes are collected through the annual tax sale held by the Charles County Treasurer, generally on the second Tuesday in May of each year.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally-dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### E. Use of Estimates

The preparation of financial statements requires the Town to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

## Town Of La Plata, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Summary Of Significant Accounting Policies (Continued)

##### F. Budgetary Data

The budget of the General Fund is prepared on the same basis as that used to account for the historical financial data, except that transfers from unappropriated surplus are budgeted as revenue items, certain transfers to vehicle replacement reserves are recorded as expenditures when budgeted and other expenditures are recognized on an encumbrance basis instead of when the expenditures are incurred.

##### G. Cash, Cash Equivalents And Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with remaining maturities of three months or less. Short-term investments are stated at fair value, and consist of investments in the Maryland Local Government Investment Pool (MLGIP) and certificates of deposit. Fair value generally approximates cost.

##### H. Receivables

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Delinquent accounts receivable are not considered fully collectible and therefore an allowance for uncollectible accounts has been provided. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

An accounts receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is charged on accounts receivable that are outstanding for more than 30 days and is recognized as charged.

##### I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

##### J. Capital Assets

Capital assets, including land, buildings, improvements, equipment, and infrastructure (roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

GASB Statement No. 34 requires the Town to prospectively report all governmental activities' infrastructure assets acquired after June 30, 2003, and encourages, but does not require, the Town to retroactively report infrastructure assets acquired after June 30, 1980. The Town has elected not to retroactively report infrastructure assets and the accompanying basic financial statements only include infrastructure assets acquired after June 30, 2003.

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 the asset are not capitalized.

**Town Of La Plata, Maryland**

**Notes To Basic Financial Statements**

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**Note 1. Summary Of Significant Accounting Policies (Continued)**

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 – 40
Improvements other than buildings	15
Vehicles and mobile equipment	5 – 15
Other equipment	5 – 15
Infrastructure (including water lines and pumping stations)	15 – 35

**K. Interfund Transactions**

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as “due to/from other funds” or “advances to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Interfund balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Interfund receivables and payables are non interest-bearing and are normally settled in the subsequent period.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements as either transfers in or out.

**L. Bond Issuance Costs**

Bond issuance costs are deferred and amortized over the term of the bonds using the bond-outstanding method which approximates the effective interest method.

**M. Compensated Absences**

It is the Town's policy to permit employees to be paid for accumulated earned but unused vacation upon separation of service. Vacation is accrued when earned in the government-wide statements, as well as the proprietary fund statements.

For governmental fund types, the amount of accumulated unpaid vacation which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. As of June 30, 2010, no accumulated unpaid vacation leave had matured, resulting in it being maintained separately and being a reconciling item between the fund and government-wide financial statement presentations.

**N. Fund Balance**

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions or those restrictions imposed by law through constitutional provisions or enabling legislation. Reserves for encumbrances are segregated to indicate that portion of fund balance which is committed for expenditure and is therefore not available for future appropriation. Any designations of fund balance represent tentative management plans that are subject to change.

## Town Of La Plata, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Summary Of Significant Accounting Policies (Continued)

##### O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

The Town first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

##### P. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all Town employees, permits employees to defer a portion of their salaries until future years. Participation in the plan is optional, and participants elect how their salary deferrals are invested. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The IRC prescribes that the Town does not own the amounts deferred by employees, including the related income on these amounts. Accordingly, the assets and the liability for the deferred compensation plan participants, including earnings on plan assets, are not included in the Town's financial statements. The plan assets will not be subject to the claims of the public entity's creditors during financial crisis.

##### Q. Governmental Money Purchase Plan and Trust

The Town offers its Town Manager and Town Treasurer a defined contribution money purchase plan in accordance with Internal Revenue Code Section 401(a). The Town is required to make a fixed contribution on behalf of each participant. Each participant may make a voluntary, unmatched after tax contribution, subject to certain limitations. Participants are immediately vested in both employer and employee contributions. In-service distributions of the rollover account are permitted by the plan. The IRC prescribes that the Town does not own the amounts deferred by the participants, including the related income on these amounts. Accordingly, the assets and the liability for the plan participants, including earnings on plan assets, are not included in the Town's financial statements. The plan assets will not be subject to the claims of the public entity's creditors during financial crisis.

##### R. Subsequent Events

The Town evaluated subsequent events for potential required disclosure through October 27, 2010, which represents the date the financial statements were available to be issued.

**Town Of La Plata, Maryland**

**Notes To Basic Financial Statements**

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**Note 2. Cash, Cash Equivalents And Investments**

Maryland State law requires that all local governments within the State adopt a written investment policy that complies with State Finance & Procurement Article §6-222 & Article 95 §22F of the Annotated Code of Maryland and which meets or exceeds standards on investments published by the Government Finance Officers Association (GFOA) and/or Municipal Treasurer's Association. The Town has adopted such a policy and it provides the Town with a variety of investment options. The Town invests primarily in certificates of deposit and deposits in the MLGIP, which are carried at cost, plus accrued interest. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating).

The Town's investment policy does not permit investment maturities to exceed one year as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2010, all of the Town's certificates of deposit had a maturity of one year or less.

*Custodial credit risk*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Maryland State Law prescribes that local government units such as the Town must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2010, all of the Town's deposits were either covered by federal depository insurance or were covered by collateral held by the Town's agent in the Town's name.

**Note 3. Receivables And Payables**

Receivables and payables at June 30, 2010, consist of the following:

	General Fund	Total
Due from other governments:		
State of Maryland	\$ 217,937	\$ 217,937
Other receivables:		
Miscellaneous	\$ 28,438	\$ 28,438

**Town Of La Plata, Maryland**

**Notes To Basic Financial Statements**

**Note 3. Receivables And Payables (Continued)**

	Governmental Activities	Business-Type Activities		Total
		Water and Sewer Fund	Sanitation Fund	
Accounts payable:				
Vendors	\$ 107,759	\$ 746,068	\$ 56,995	\$ 910,822
Accrued liabilities:				
Payroll and withholdings	\$ 73,071	\$ 7,783	\$ 3,062	\$ 83,916
Interest	-	43,544	-	43,544
Interest on governmental activities in statement of net assets	16,899	-	-	16,899
	<u>\$ 89,970</u>	<u>\$ 51,327</u>	<u>\$ 3,062</u>	<u>\$ 144,359</u>

**Note 4. Interfund Receivables, Payables And Transfers**

Interfund balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Interfund receivables and payables are non interest-bearing and are normally settled in the subsequent period. Interfund receivable and payable balances at June 30, 2010, are as follows:

Due From Fund	Water And Sewer Fund
General Fund	\$ 1,053,298
Nonmajor Proprietary Fund	2,386
Nonmajor Governmental Funds	74,000
	<u>\$ 1,129,684</u>

Interfund transfers for the year ended June 30, 2010, consisted of a transfer in the Town's normal course of business from the Water and Sewer Fund to the General Fund in the amount of \$406,329 and a transfer from the Sanitation Fund to the General Fund in the amount of \$145,310.

**Note 5. Bond Issuance Costs**

Issuance costs on bonds payable consist of the following at June 30, 2010:

	Bond Issuance Costs			
	Balance, June 30, 2009	Additions / (Deductions)	Amortization	Balance, June 30, 2010
Governmental Activities	\$ 30,769	\$ -	\$ (3,632)	\$ 27,137
Business-Type Activities	29,255	74,993	(3,713)	100,535

Town Of La Plata, Maryland

Notes To Basic Financial Statements

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2010, is as follows:

	Balance, July 1, 2009	Additions/ Transfers	Deletions/ Transfers	Balance, June 30, 2010
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,525,695	\$ 158,106	\$ -	\$ 3,683,801
Construction in process	-	32,517	-	32,517
	<u>3,525,695</u>	<u>190,623</u>	<u>\$ -</u>	<u>3,716,318</u>
Capital assets being depreciated:				
Buildings	6,262,028	6,999	(92,103)	6,176,924
Improvements other than buildings	155,643	482,988	-	638,631
Vehicles and mobile equipment	1,439,220	88,427	(99,778)	1,427,869
Other equipment	409,480	39,799	(16,385)	432,894
Infrastructure	3,786,938	14,006	(261,950)	3,538,994
	<u>12,053,309</u>	<u>632,219</u>	<u>(470,216)</u>	<u>12,215,312</u>
Accumulated depreciation for:				
Buildings	(764,605)	(159,786)	16,105	(908,286)
Improvements other than buildings	(22,498)	(173,016)	-	(195,514)
Vehicles and mobile equipment	(857,661)	(184,367)	78,066	(963,962)
Other equipment	(262,500)	(42,914)	24,796	(280,618)
Infrastructure	(781,223)	(176,633)	50,847	(907,009)
	<u>(2,688,487)</u>	<u>(736,716)</u>	<u>169,814</u>	<u>(3,255,389)</u>
Total depreciable assets, net	<u>9,364,822</u>	<u>(104,497)</u>	<u>(300,402)</u>	<u>8,959,923</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 12,890,517</u>	<u>\$ 86,126</u>	<u>\$ (300,402)</u>	<u>\$ 12,676,241</u>

Town Of La Plata, Maryland

Notes To Basic Financial Statements

Note 6. Capital Assets (Continued)

	Balance, July 1, 2009	Additions/ Transfers	Deletions/ Transfers	Balance, June 30, 2010
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 399,295	\$ -	\$ -	\$ 399,295
Construction in process	304,560	1,921,345	-	2,225,905
	<u>703,855</u>	<u>1,921,345</u>	<u>-</u>	<u>2,625,200</u>
Capital assets being depreciated:				
Buildings	6,499,281	6,831,570	-	13,330,851
Improvements other than buildings	14,835,880	-	(14,824,690)	11,190
Other equipment	2,431,738	16,907	(1,101,152)	1,347,493
Vehicles and mobile equipment	-	801,910	-	801,910
Water tower	2,504,856	-	(2,504,856)	-
Infrastructure	969,147	10,803,890	-	11,773,037
	<u>27,240,902</u>	<u>18,454,277</u>	<u>(18,430,698)</u>	<u>27,264,481</u>
Accumulated depreciation for:				
Buildings	(2,612,218)	(2,062,551)	-	(4,674,769)
Improvements other than buildings	(4,255,107)	(303)	4,250,890	(4,520)
Other equipment	(1,692,630)	(108,066)	576,835	(1,223,861)
Vehicles and mobile equipment	-	(574,067)	-	(574,067)
Water tower	(766,781)	-	766,781	-
Infrastructure	(253,843)	(3,680,775)	-	(3,934,618)
	<u>(9,580,579)</u>	<u>(6,425,762)</u>	<u>5,594,506</u>	<u>(10,411,835)</u>
Total depreciable assets, net	<u>17,660,323</u>	<u>12,028,515</u>	<u>(12,836,192)</u>	<u>16,852,646</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 18,364,178</u>	<u>\$ 13,949,860</u>	<u>\$ (12,836,192)</u>	<u>\$ 19,477,846</u>

Depreciation expense was charged in the statement of activities for the year ended June 30, 2010, as follows:

<b>Governmental activities:</b>	
General government	\$ 108,375
Public safety	178,242
Public works	259,034
Parks, recreation and culture	21,251
	<u>\$ 566,902</u>
<b>Business-type activities:</b>	
Water and sewer services	\$ 808,719
Sanitation services	22,216
Nonmajor proprietary fund	321
	<u>\$ 831,256</u>

**Town Of La Plata, Maryland**

**Notes To Basic Financial Statements**

**Note 6. Capital Assets (Continued)**

During the year ended June 30, 2010, the Town restructured capital asset groupings and changed the estimated useful lives of various capital assets to more closely estimate the expected lives of the assets. This resulted in additional depreciation expense in the amount of \$71,835 in the statement of activities for governmental activities and a decrease in depreciation expense in the amount of \$81,384 in the statement of activities for business-type activities during the current year.

**Note 7. Long-Term Liabilities**

Long-term liability activity as of and for the year ended June 30, 2010, is as follows:

	Balance, July 1, 2009	Additions	Deductions	Balance, June 30, 2010	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 2,558,156	\$ -	\$ (197,308)	\$ 2,360,848	\$ 199,776
Notes payable	30,000	175,000	(18,423)	186,577	58,802
Accumulated unused compensated absences	134,341	59,108	-	193,449	11,312
	<u>\$ 2,722,497</u>	<u>\$ 234,108</u>	<u>\$ (215,731)</u>	<u>\$ 2,740,874</u>	<u>\$ 269,890</u>
<b>Business-type activities:</b>					
Revenue bonds payable	\$ 5,471,783	\$ -	\$ (362,673)	\$ 5,109,110	\$ 368,476
General obligation bonds payable	1,554,303	1,300,533	(113,860)	2,740,976	116,490
Accumulated unused compensated absences	30,072	-	(9,650)	20,422	942
	<u>\$ 7,056,158</u>	<u>\$ 1,300,533</u>	<u>\$ (486,183)</u>	<u>\$ 7,870,508</u>	<u>\$ 485,908</u>

General obligation bonds payable relating to governmental activities at June 30, 2010, consists of the following:

Town of La Plata, General Obligation Bond, 1-03; authorized amount \$1,712,040; interest at 3.61% payable in semiannual payments of principal and interest. Principal serially redeemed through August 25, 2018.	\$ 969,320
Town of La Plata, Community Development Administration Infrastructure Financing Bond 2006 Series A; authorized amount \$316,878; interest at varying rates not to exceed 4.15% payable semiannually. Principal serially redeemed through June 1, 2016.	203,198
Town of La Plata, Community Development Administration Infrastructure Financing Bond 2006 Series A; authorized amount \$1,285,798, interest at varying rates not to exceed 4.40% payable semiannually. Principal serially redeemed through June 1, 2026.	1,188,330
	<u>\$ 2,360,848</u>

**Town Of La Plata, Maryland**

**Notes To Basic Financial Statements**

**Note 7. Long-Term Liabilities (Continued)**

Notes payable relating to governmental activities at June 30, 2010, consists of the following:

Note payable with fire house, non-interest bearing, payable in annual installments of \$2,000 through June 2023.	\$	26,000
Note payable with bank, unsecured, interest rate 3.1%, payable in quarterly installments of principal and interest of \$15,297 through March 2013.		160,577
	<u>\$</u>	<u>186,577</u>

A schedule of maturities of the general obligation bonds payable and notes payable relating to governmental activities as of June 30, 2010, is as follows:

Years Ending June 30,	Principal	Interest	Total
2011	\$ 258,577	\$ 91,662	\$ 350,239
2012	263,355	84,416	347,771
2013	252,980	77,061	330,041
2014	211,846	69,136	280,982
2015	215,679	61,044	276,723
2016-2020	803,340	191,158	994,498
2021-2025	443,594	79,193	522,787
2026	98,054	4,314	102,368
	<u>\$ 2,547,425</u>	<u>\$ 657,984</u>	<u>\$ 3,205,409</u>

The entire accumulated unused compensated absences liability for governmental activities will be liquidated by the general fund.

Revenue bonds payable relating to business-type activities at June 30, 2010, consists of the following:

La Plata Water Quality Bond 2000 Series; authorized amount \$7,700,000; semiannual principal and interest payments at 1.6%. Principal serially redeemed through February 1, 2023.	\$	<u>5,109,110</u>
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**Town Of La Plata, Maryland**

**Notes To Basic Financial Statements**

**Note 7. Long-Term Liabilities (Continued)**

General obligation bonds payable relating to business-type activities at June 30, 2010 consist of the following:

Town of La Plata, General Obligation Bond, 1-03; authorized amount \$487,960; interest at 3.61% payable in semiannual payments of principal and interest. Principal serially redeemed through August 25, 2018.	\$ 276,272
Town of La Plata, Community Development Administration Infrastructure Financing Bond 2006 Series A; authorized amount \$443,022; interest at varying rates not to exceed 4.15% payable in semiannual payments of principal and interest. Principal serially redeemed through June 1, 2016.	286,201
Town of La Plata, Community Development Administration Infrastructure Financing Bond 2006 Series A; authorized amount \$1,131,502; interest at varying rates not to exceed 4.40% payable in semiannual payments of principal and interest. Principal serially redeemed through June 1, 2026.	877,970
Town of La Plata, Maryland Water Quality Financing Administration Bond, Series 2010; authorized amount \$792,742; interest at 1% payable semiannually beginning August 2010 and including annual principal beginning August 2011. Principal serially redeemed through February 2030. Additional draws expected to reach authorized amount.	119,193
Town of La Plata, Maryland Water Quality Financing Administration Bond, Series 2010; authorized amount \$3,751,600; interest at 1% payable semiannually beginning August 2010 and including annual principal beginning August 2011. Principal serially redeemed through February 2030. Additional draws expected to reach authorized amount. All the costs associated with the bond are to be paid from revenue sources generated from a special tax district.	1,181,340
	\$ 2,740,976

A schedule of maturities of the revenue bonds payable and general obligation bonds payable relating to business-type activities as of June 30, 2010, is as follows:

Years Ending June 30,	Principal	Interest	Totals
2011	\$ 484,966	\$ 139,479	\$ 624,445
2012	693,196	150,200	843,396
2013	712,076	130,105	842,181
2014	726,260	116,983	843,243
2015	707,641	103,586	811,227
2016-2020	2,983,025	330,206	3,313,231
2021-2025	1,470,715	92,746	1,563,461
2026	72,207	3,188	75,395
	\$ 7,850,086	\$ 1,066,493	\$ 8,916,579

## Town Of La Plata, Maryland

### Notes To Basic Financial Statements

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#### **Note 8. Risk Management**

The Town is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has purchased commercial insurance and joined the Local Government Insurance Trust (LGIT) to handle potential losses. LGIT was organized for the purpose of minimizing the cost of insurance and related administrative expenses. The Town pays an annual premium to LGIT for its general insurance coverage. The agreement with LGIT provides that LGIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000. The Town continues to carry commercial insurance for employee health and accident insurance and workers compensation. Settled claims resulting from these risks have not exceeded coverage amounts, and no significant reductions in insurance coverage have occurred, in any of the past three fiscal years.

#### **Note 9. Retirement Plans**

##### ***Plan Description:***

The employees of the Town are covered by the State Retirement and Pension System of Maryland, an agent multiple-employer public employee retirement system administered by the State Retirement Agency.

All classified employees hired within the State after December 31, 1979, must join the "Pension System for Employees". These pension plans provide pension benefits and death and disability benefits. A member may retire as early as age 55 and 15 years of service from the Pension System. Benefits generally vest after 5 years of service. The State Retirement Agency issues a comprehensive annual financial report for the State Retirement and Pension System of Maryland. That report may be obtained by writing to State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202-1600, or by calling 1-410-625-5555.

##### ***Funding Policy:***

The "Pension System" for employees is jointly contributory. Under the "Pension System", employees contribute 5 percent of that part of their gross salary in excess of the social security taxable wage base. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the Systems are funded in advance. Annually appropriated employer contribution rates for retirement benefits are determined using the individual entry age normal cost method. The method produces an employer contribution rate consisting of 1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and 2) the amount for amortization of the unfunded actuarial accrued liability.

##### ***Annual Pension Cost:***

The Town's contributions totaling \$177,315, or 7.61 percent of covered payroll, for the period July 1, 2009 through June 30, 2010, were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2009. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.75 percent per year compounded annually, (b) projected salary increases of 3.50 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.00 percent to 8.50 percent per year, attributable to seniority/merit, (d) post-retirement benefit increases ranging from 2.75 percent to 3.5 percent per year depending on the system, (e) rates of mortality, termination of service, disablement and retirement are based on actual experience during the period from June 30, 2003 through June 30, 2006, and (f) the aggregate active member payroll is assumed to increase by 3.50 percent annually.

**Town Of La Plata, Maryland**

**Notes To Basic Financial Statements**

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**Note 9. Retirement Plans (Continued)**

The actuarial value of assets is measured on both a market value and an actuarial or smoothed value basis. The actuarial smoothing method explicitly recognized each year's investment gain or loss over a 5-year period with the final actuarial value not less than 80 percent or more than 120 percent of the market value of assets. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll, in two distinct pieces. The UAAL which existed as of the June 30, 2000 actuarial valuation is being amortized over the remaining 11-year period to June 30, 2020. Each new layer of UAAL arising subsequent to June 30, 2000 is being amortized over a 25-year period. A three-year trend of the Town's annual pension cost, is as follows:

Fiscal Year Ended June 30,	Total Annual Pension Cost (APC)	APC Contributed By The Town	Percentage Of APC Contributed	Net Pension Obligation
2008	\$ 169,333	\$ 169,333	100%	\$ -
2009	\$ 163,770	\$ 163,770	100%	\$ -
2010	\$ 177,315	\$ 177,315	100%	\$ -

**Note 10. Commitments**

The Town is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. The total amount of pending lawsuits and claims not covered by insurance nor expressly provided for in these statements is considered to be immaterial.

Most cost-reimbursable grants specify the types of expenditures for which the grant or contracts funds may be used. The expenditures made by the Town under some of these grants are subject to audit. To date, the Town has not been notified of any significant unallowable costs relating to its grants. 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 entered into a contract to construct a new sewer pump station and to upgrade the related sewer main. The projects are being financed through bond proceeds and taxes assessed through a special taxing district. The value of the Town's remaining commitment under this contract at June 30, 2010 is \$3,013,637.

The Town entered into a contract to acquire and implement a new enterprise resource planning (ERP) system. The project is being financed through loan proceeds. The value of the Town's remaining commitment under this contract at June 30, 2010 is \$136,489.

The Town entered into a contract to design the Enhanced Nutrient Removal (ENR) upgrades to the Town's Wastewater Treatment Plant. The project is being financed by grant proceeds. The value of the Town's remaining commitment under this contract at June 30, 2010 is \$276,892.

## Town Of La Plata, Maryland

### Notes To Basic Financial Statements

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#### **Note 11. New Governmental Accounting Standards Board (GASB) Standards**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2010, that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statement of the Town:

GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be effective for the Town beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

GASB Statement Number 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, will be effective for the Town beginning with its year ending June 30, 2011. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.

GASB Statement Number 59, *Financial Instruments Omnibus*, will be effective for the Town beginning with its year ending June 30, 2011. This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

**Town Of La Plata, Maryland**

**Required Supplementary Information (Unaudited)**

A schedule of the Funding Progress of the Combined State Retirement and Pension System of Maryland, is as follows:

**Schedule of Funding Progress**

*(Expressed in Thousands)*

Actuarial Valuation Date June 30,	Actuarial Value Of Assets a	Actuarial Accrued Liability (AAL) Entry Age b	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll c	UAAL As A Percentages Of Covered Payroll [(b - a) / c]
2007**	\$ 37,886,936	\$ 47,144,354	\$ 9,257,418	80.36	\$ 9,971,012	93 %
2008	\$ 39,504,284	\$ 50,244,047	\$10,739,763	78.62	\$10,542,806	102 %
2009	\$ 34,284,569	\$ 52,729,171	\$18,444,602	65.02	\$10,714,241	172 %

\*\*Beginning July 1, 2006, the system changed its funding method from the Aggregate Entry Age Normal method to the Individual Entry Age Normal method.

Town Of La Plata, Maryland

Schedule Of Revenues - Budget And Actual - General Fund  
 Year Ended June 30, 2010 (With Comparative Totals For 2009)

	2010			Variance With	2009 Actual
	Original Budget	Amended Budget	Actual	Amended Budget Positive (Negative)	
<b>Taxes:</b>					
Local property taxes:					
Real property	\$ 3,300,000	\$ 3,300,000	\$ 3,512,638	\$ 212,638	\$ 3,351,598
Personal property	174,000	174,000	232,736	58,736	234,161
Railroads and public utilities	85,500	85,500	64,407	(21,093)	86,893
Penalties and interest	7,100	7,100	16,893	9,793	13,133
	<u>3,566,600</u>	<u>3,566,600</u>	<u>3,826,674</u>	<u>260,074</u>	<u>3,685,785</u>
Income taxes	<u>873,000</u>	<u>873,000</u>	<u>1,151,761</u>	<u>278,761</u>	<u>1,005,120</u>
Other local taxes:					
Admissions and amusements	<u>300</u>	<u>300</u>	<u>2,110</u>	<u>1,810</u>	<u>2,647</u>
State-shared taxes:					
Highway	<u>397,555</u>	<u>397,555</u>	<u>50,677</u>	<u>(346,878)</u>	<u>431,148</u>
<b>Total taxes</b>	<u>4,837,455</u>	<u>4,837,455</u>	<u>5,031,222</u>	<u>193,767</u>	<u>5,124,700</u>
<b>Licenses and permits:</b>					
Traders	18,500	18,500	27,981	9,481	27,544
Construction permits	132,500	132,500	111,430	(21,070)	90,518
Franchise	132,600	132,600	161,764	29,164	136,275
<b>Total licenses and permits</b>	<u>283,600</u>	<u>283,600</u>	<u>301,175</u>	<u>17,575</u>	<u>254,337</u>
<b>Service charges:</b>					
Plan review charges	3,350	3,350	-	(3,350)	-
Rental inspection fees	13,750	13,750	20,383	6,633	10,360
Parkland fee	11,250	11,250	15,000	3,750	-
Forest conservation fee	4,400	4,400	-	(4,400)	-
Annexation applications	300	300	595	295	570
Other	200	200	1,259	1,059	(2,143)
<b>Total service charges</b>	<u>33,250</u>	<u>33,250</u>	<u>37,237</u>	<u>3,987</u>	<u>8,787</u>
<b>Intergovernmental:</b>					
Grants from state government:					
State Police protection	<u>60,000</u>	<u>60,000</u>	<u>48,491</u>	<u>(11,509)</u>	<u>71,168</u>
Grants from federal government:					
FEMA	-	-	78,965	78,965	-
<b>Total intergovernmental</b>	<u>60,000</u>	<u>60,000</u>	<u>127,456</u>	<u>67,456</u>	<u>71,168</u>

(Continued)

Town Of La Plata, Maryland

Schedule Of Revenues - Budget And Actual - General Fund (Continued)  
 Year Ended June 30, 2010 (With Comparative Totals For 2009)

	2010			Variance With	2009 Actual
	Original Budget	Amended Budget	Actual	Amended Budget Positive (Negative)	
<b>Miscellaneous revenues:</b>					
Fines and forfeitures	3,700	3,700	5,350	1,650	5,325
Investment earnings	65,000	65,000	76,737	11,737	104,276
Miscellaneous	30,000	30,000	80,848	50,848	64,063
Rents and concessions	3,500	3,500	7,096	3,596	4,456
<b>Total miscellaneous revenues</b>	<b>102,200</b>	<b>102,200</b>	<b>170,031</b>	<b>67,831</b>	<b>178,120</b>
<b>Total revenues</b>	<b>\$ 5,316,505</b>	<b>\$ 5,316,505</b>	<b>\$ 5,667,121</b>	<b>\$ 350,616</b>	<b>\$ 5,637,112</b>

Town Of La Plata, Maryland

Schedule Of Expenditures - Budget And Actual - General Fund  
 Year Ended June 30, 2010 (With Comparative Totals For 2009)

	2010			Variance With Amended Budget Positive (Negative)	2009 Actual
	Original Budget	Amended Budget	Actual		
<b>General government:</b>					
Legislative:					
Salaries	\$ 114,000	\$ 114,000	\$ 97,700	\$ 16,300	\$ 44,000
Operating expenses	62,905	62,905	56,398	6,507	34,836
	<u>176,905</u>	<u>176,905</u>	<u>154,098</u>	<u>22,807</u>	<u>78,836</u>
Administration:					
Salaries	338,795	338,795	284,443	54,352	377,431
Operating expenses	45,335	45,335	21,273	24,062	39,000
Capital outlay	2,500	2,500	-	2,500	2,435
Transfer to vehicle reserve	4,770	4,770	4,770	-	-
	<u>391,400</u>	<u>391,400</u>	<u>310,486</u>	<u>80,914</u>	<u>418,866</u>
Community promotion:					
Salaries	23,670	23,670	35,739	(12,069)	5,150
Operating expenses	179,000	179,000	158,383	20,617	1,081
	<u>202,670</u>	<u>202,670</u>	<u>194,122</u>	<u>8,548</u>	<u>6,231</u>
Financial administration:					
Salaries	299,645	299,645	293,947	5,698	308,705
Operating expenses	73,000	73,000	71,433	1,567	79,432
Capital outlay	-	-	-	-	13,823
	<u>372,645</u>	<u>372,645</u>	<u>365,380</u>	<u>7,265</u>	<u>401,960</u>
Law:					
Operating expenses	75,000	75,000	45,261	29,739	61,990
Elections:					
Operating expenses	-	-	-	-	3,693
Planning and zoning:					
Salaries	124,415	124,415	75,621	48,794	256,037
Operating expenses	26,200	26,200	25,725	475	31,533
Capital outlay	25,000	25,000	15,405	9,595	-
	<u>175,615</u>	<u>175,615</u>	<u>116,751</u>	<u>58,864</u>	<u>287,570</u>
Information technology:					
Salaries	-	-	432	(432)	-
Operating expenses	115,000	115,000	63,275	51,725	-
Capital outlay	50,000	50,000	44,510	5,490	-
	<u>165,000</u>	<u>165,000</u>	<u>108,217</u>	<u>56,783</u>	<u>-</u>
Other general government:					
Salaries	14,000	14,000	16,099	(2,099)	13,554
Operating expenses	113,500	113,500	140,586	(27,086)	302,401
Capital outlay	20,000	20,000	17,660	2,340	8,281
	<u>147,500</u>	<u>147,500</u>	<u>174,345</u>	<u>(26,845)</u>	<u>324,236</u>
<b>Total general government</b>	<u>1,706,735</u>	<u>1,706,735</u>	<u>1,468,660</u>	<u>238,075</u>	<u>1,583,382</u>

(Continued)

Town Of La Plata, Maryland

Schedule Of Expenditures - Budget And Actual - General Fund (Continued)  
 Year Ended June 30, 2010 (With Comparative Totals For 2009)

	2010			Variance With Amended Budget Positive (Negative)	2009 Actual
	Original Budget	Amended Budget	Actual		
<b>Public safety:</b>					
Police department:					
Salaries	921,345	921,345	870,845	50,500	822,275
Operating expenses	184,040	184,040	143,285	40,755	151,761
Capital outlay	170,000	170,000	117,563	52,437	163,296
	<u>1,275,385</u>	<u>1,275,385</u>	<u>1,131,693</u>	<u>143,692</u>	<u>1,137,332</u>
Emergency preparedness:					
Operating expenses	8,925	8,925	8,640	285	11,194
Inspections and enforcement:					
Salaries	77,330	77,330	79,394	(2,064)	-
Operating expenses	73,610	73,610	34,868	38,742	2,691
Transfer to vehicle reserve	6,800	6,800	6,800	-	-
	<u>157,740</u>	<u>157,740</u>	<u>121,062</u>	<u>36,678</u>	<u>2,691</u>
<b>Total public safety</b>	<u>1,442,050</u>	<u>1,442,050</u>	<u>1,261,395</u>	<u>180,655</u>	<u>1,151,217</u>
<b>Public works:</b>					
Public works administration:					
Salaries	273,585	273,585	274,223	(638)	82,568
Operating expenses	52,695	52,695	49,090	3,605	162,399
Capital outlay	-	-	(775)	775	141,076
	<u>326,280</u>	<u>326,280</u>	<u>322,538</u>	<u>3,742</u>	<u>386,043</u>
Maintenance operations:					
Salaries	110,705	110,705	108,800	1,905	-
Operating expenses	154,700	154,700	104,550	50,150	-
Capital outlay	50,000	50,000	31,383	18,617	-
	<u>315,405</u>	<u>315,405</u>	<u>244,733</u>	<u>70,672</u>	<u>-</u>
Streets:					
Salaries	35,160	35,160	63,549	(28,389)	57,915
Operating expenses	323,110	323,110	274,837	48,273	567,673
Capital outlay	195,000	195,000	1,379	193,621	3,250
	<u>553,270</u>	<u>553,270</u>	<u>339,765</u>	<u>213,505</u>	<u>628,838</u>
<b>Total public works</b>	<u>1,194,955</u>	<u>1,194,955</u>	<u>907,036</u>	<u>287,919</u>	<u>1,014,881</u>
<b>Parks, recreation and culture</b>					
Park maintenance and recreation:					
Salaries	114,540	114,540	122,182	(7,642)	144,831
Operating expenses	298,925	298,925	69,489	229,436	29,921
Capital outlay	68,000	68,000	49,271	18,729	79,523
Transfer to vehicle reserve	12,000	12,000	12,009	(9)	-
<b>Total parks, recreation and culture</b>	<u>493,465</u>	<u>493,465</u>	<u>252,951</u>	<u>240,514</u>	<u>254,275</u>

(Continued)

Town Of La Plata, Maryland

Schedule Of Expenditures - Budget And Actual - General Fund (Continued)  
 Year Ended June 30, 2010 (With Comparative Totals For 2009)

	2010			Variance With Amended Budget Positive (Negative)	2009 Actual
	Original Budget	Amended Budget	Actual		
<b>Miscellaneous:</b>					
Retirement contributions	203,960	203,960	182,591	21,369	128,998
Workmen's compensation	185,751	185,751	82,863	102,888	112,511
Social security contribution	187,484	187,484	174,902	12,582	150,755
Unemployment insurance	4,500	4,500	16,864	(12,364)	6,367
Insurance	408,101	408,101	413,605	(5,504)	363,838
Tuition reimbursement	3,500	3,500	-	3,500	-
Employee health cost reimbursement	-	-	-	-	12,151
<b>Total miscellaneous</b>	<b>993,296</b>	<b>993,296</b>	<b>870,825</b>	<b>122,471</b>	<b>774,620</b>
<b>Debt service</b>	<b>314,250</b>	<b>314,250</b>	<b>313,917</b>	<b>333</b>	<b>206,372</b>
<b>Total expenditures</b>	<b>\$ 6,144,751</b>	<b>\$ 6,144,751</b>	<b>\$ 5,074,784</b>	<b>\$ 1,069,967</b>	<b>\$ 4,984,747</b>