

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

TOWN OF LA PLATA, MARYLAND

JUNE 30, 2011

Town of La Plata, Maryland

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Town of La Plata, Maryland

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of 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 (the Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion 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 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 opinion.

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, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2011, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and combined state retirement and pension system of Maryland on pages 6 through 14 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of La Plata, Maryland's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

Reznick Group, P.C.

Baltimore, Maryland
December 9, 2011

Town of La Plata, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS -
REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2011

This section of the Town's annual financial report presents its discussion and analysis of the Town's financial performance during the fiscal year ending June 30, 2011. 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 \$34,163,319 (net assets). Of this amount, \$7,570,717 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.

The total net assets increased by \$2,165,611. Of this amount, \$891,065 was associated with governmental and \$1,274,546 with business-type activities.

As of the close of the current fiscal year, the Town's general fund reported a fund balance of \$7,935,857, an increase of \$744,817 in comparison to the prior year.

The net assets for business-type activities (Water and Sewer Fund, Sanitation Fund, Nonmajor Proprietary Fund) increased by \$1,274,546. The increase was primarily attributable to the fact that the Town received approximately \$980,000 in grant funding for the Willow Lane Pump Station and Sewer Main Upgrade project and Waste Water Treatment Plant ENR upgrade project in FY11.

The Town's total long-term obligations increased by \$2,140,334. The increase was primarily attributable to the fact that the Town took on additional debt in FY11 to fund the Willow Lane Pump Station and Sewer Main Upgrade project.

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.

Town of La Plata, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS -
REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

June 30, 2011

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.

Town of La Plata, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS -
REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

June 30, 2011

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.

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 \$34,163,319 at the close of the most recent fiscal year.

Of the Town's net assets, 69.3 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

Town of La Plata, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS -
REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

June 30, 2011

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	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	\$ 8,273,913	\$ 7,410,968	\$ 4,815,299	\$ 4,099,216	\$ 13,089,212	\$ 11,510,184
Capital assets, net	12,563,548	12,676,241	22,546,181	19,477,846	35,109,729	32,154,087
Total assets	20,837,461	20,087,209	27,361,480	23,577,062	48,198,941	43,664,271
Liabilities:						
Long-term liabilities	2,484,551	2,740,874	10,267,165	7,870,508	12,751,716	10,611,382
Other liabilities	313,239	197,729	970,667	857,452	1,283,906	1,055,181
Total liabilities	2,797,790	2,938,603	11,237,832	8,727,960	14,035,622	11,666,563
Net assets:						
Invested in capital assets, net of related debt	11,129,884	11,125,273	12,544,318	12,004,567	23,674,202	23,129,840
Restricted	-	-	2,918,400	3,376,525	2,918,400	3,376,525
Unrestricted	6,909,787	6,023,333	660,930	(531,990)	7,570,717	5,491,343
Total net assets	\$ 18,039,671	\$ 17,148,606	\$ 16,123,648	\$ 14,849,102	\$ 34,163,319	\$ 31,997,708

Governmental Activities. Governmental activities increased the Town's net assets by \$891,065, accounting for 41 percent of the total growth in net assets.

Overall revenue increased by approximately \$47,520 in FY11 compared to FY10. There was an increase of \$341,622 or almost 9% in property tax revenues in FY11. This 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. These credits are almost exhausted and, with the triennial reassessment of properties that is occurring in calendar year 2011 that will establish the taxable values for fiscal years 2013-2015, the Town is expecting to see these revenues stop growing and potentially decrease in the near future.

The increase in property tax revenues was largely offset by a decrease in income tax revenues which were lower in FY11 than in FY10 by almost \$145,000 or 12.6%. The Town also received approximately \$53,645 less in fee revenue and \$40,500 less in grant revenue in FY11 than it did in FY10. The decrease in fee revenue is primarily related to a drop in development activity in

Town of La Plata, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS -
REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

June 30, 2011

FY11 which resulted in permit fees decreasing by approximately \$52,400. The decrease in grant funds was due in large part to the fact that, in FY10, the Town received grant funds from FEMA to offset the costs of the two major winter storms that occurred in FY10 and didn't receive those funds in FY11. Overall the Town's investment earnings were relatively unchanged from FY10 to FY11 but significantly more of the earnings (\$31,266 vs. \$966) were allocated to the Enterprise fund in FY11 than in FY10 to more accurately reflect which funds surpluses are earning the interest.

Governmental activity expenses increased by approximately \$259,296 from FY10 to FY11.

General government expenses decreased while expenses increased in public safety, public works and parks/recreation/culture. While there were significant one-time general government expenditures in FY11 related to the acquisition of the Town's new Enterprise Resource Planning system, these were more than offset by the allocation of costs, such as facility operations, liability insurance and some employee benefits to other functions. Correspondingly the other functions costs increased accordingly. Public work's expenses also increased because the costs of general fleet maintenance, which had historically been captured in the business-type activity accounts, were moved to the governmental activity fund in FY11.

The receipt the capital grants for the Tilghman Lake bathroom project and the ADA sidewalk improvement project directly increased the Town's net assets by their value which was \$190,893.

Business-Type Activities. The change in net assets of business-type activities was \$1,274,546, accounting for 59 percent of the total growth in net assets. \$1,044,992 of the change in net assets was attributable to the Water and Sewer Fund, while \$172,407 was attributable to the Sanitation Fund and the remaining \$57,147 was attributable to the Nonmajor Proprietary Fund (Stormwater Fund).

Town of La Plata, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS -
REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

June 30, 2011

Figure 2

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Town	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 128,354	\$ 181,998	\$ 4,716,795	\$ 5,095,807	\$ 4,845,149	\$ 5,277,805
Operating grants and contributions	79,970	146,756	-	-	79,970	146,756
Capital grants and contributions	190,893	164,677	981,391	-	1,172,284	164,677
General revenues:						
Taxes						
Property	4,170,406	3,828,784	-	-	4,170,406	3,828,784
Income	1,007,123	1,151,761	-	-	1,007,123	1,151,761
Franchise fees	148,667	161,764	-	-	148,667	161,764
Investment earnings	44,177	76,737	31,266	966	75,443	77,703
Miscellaneous	79,963	90,054	-	-	79,963	90,054
Transfers	550,026	551,639	(550,026)	(551,639)	-	-
Total revenues	6,399,579	6,354,170	5,179,426	4,545,134	11,579,005	10,899,304
Expenses:						
General government	1,723,020	1,782,405	-	-	1,723,020	1,782,405
Public safety	1,668,805	1,608,010	-	-	1,668,805	1,608,010
Public works	1,519,995	1,288,495	-	-	1,519,995	1,288,495
Recreation	502,853	470,166	-	-	502,853	470,166
Water and sewer service	-	-	3,104,584	3,550,399	3,104,584	3,550,399
Sanitation and waste removal	-	-	773,236	779,574	773,236	779,574
Storm water management	-	-	27,060	35,455	27,060	35,455
Interest on long-term debt	93,841	100,142	-	-	93,841	100,142
Total expenses	5,508,514	5,249,218	3,904,880	4,365,428	9,413,394	9,614,646
Increase in net assets	\$ 891,065	\$ 1,104,952	\$ 1,274,546	\$ 179,706	\$ 2,165,611	\$ 1,284,658

Town of La Plata, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS -
REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

June 30, 2011

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. Ensuring the Town remains financially strong in this environment will require vigilance and careful management of the Town's resources.

Construction activity decreased substantially in FY11. Twelve permits were issued for new residential construction in FY11 compared to forty-nine in FY10 and the total estimated value of the residential projects permitted decreased from \$5,527,679 in FY10 to \$1,518,230 in FY11. There were fourteen commercial projects that were permitted in FY11 compared with twenty-five in FY10 and the average value of the work per permit decreased from \$353,048 to \$143,350 or 59%.

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 FY11 that was initiated in FY08, 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, there has been a corresponding drop in the amount of major facility revenue collected annually. In FY11 the amount collected was actually less than the FY11 debts service costs for the business type activities. 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 was only one budget amendment resolution considered and adopted by the Mayor and Council in FY11. It reallocated budgeted amounts from accounts that were under budget and expected to remain that way throughout the year, to accounts that were over budget or anticipated to go over budget before the end of the year. It also reappropriated some unexpended grant funds that were received in prior years but not spent. Last, but not least, it appropriated \$2,750 new grant funding the Town received to support its special events and promote its Farmers' Market.

Town of La Plata, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS -
REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

June 30, 2011

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.

The Town added \$461,503 of new capital assets in governmental activities in FY11. Among them were the Town's new ERP system (\$125,314), the restroom building at Tilghman Lake (\$118,338), upgrades to almost 150 handicap ramps throughout Town to bring them into compliance with the Americans with Disabilities (ADA) standards (\$97,827), four new police cruisers (\$96,243), and system hardware for the Town's wifi network (\$36,346).

The Town only acquired one new business-type activities capital assets in FY11 but continued to expend significant amounts on ongoing capital projects. The asset that was acquired was a new Vac-Tron vacuum trailer (\$76,358). In addition to the one acquisition, the Town spent an additional \$3,419,870 on the Willow Lane pump station and sewer main upgrade project and an additional \$350,746 on the Waste Water Treatment Plant ENR upgrade project in FY11

Long-term Debt. At June 30, 2011, the Town had total outstanding debt of \$12,751,716. Total debt for the governmental activities is \$2,484,551. Total outstanding debt for business-type activities is \$10,267,165. More detailed information about long-term debt can be found in note 6 to the basic financial statements.

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 other two is moving forward very slowly. 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 was recently completed.

While the rate of growth has 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

Town of La Plata, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS -
REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

June 30, 2011

sewage collection systems. To this end, the \$5.2 million Willow Lane sewer pump station and sewer main upgrade project, that was funded primarily through low interest loans from the Maryland Department of the Environment (MDE), was completed in the spring of 2011. The design and engineering work on the Enhanced Nutrient Removal (ENR) upgrades to the waste water treatment plant are now complete and the Town anticipates that construction on these upgrades will commence in the fall of 2011. The Town has 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 has also signed a contract with a vendor for a new trash collection system that will mechanically lift and dump the trash cans into the trash trucks and provide feedback about routes and volumes that will allow the Town to improve the efficiency of its trash collection services. As part of the new trash collection system, the Town is providing all of its residential customers one new trash cart free of charge. 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.

BASIC FINANCIAL STATEMENTS

Town of La Plata, Maryland

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-Type Activities	Total Primary Government
Assets			
Equity in pooled cash and cash equivalents	\$ 155,125	\$ 78,501	\$ 233,626
Investments, including accrued interest	7,729,964	3,355,913	11,085,877
Receivables (net of allowance for uncollectibles)			
Property taxes	48,712	-	48,712
Water, sewer, sanitation and storm water services	-	1,282,794	1,282,794
Other receivables	33,147	-	33,147
Due from other governments	225,180	-	225,180
Prepaid expenses	58,080	-	58,080
Bond issuance costs - net of accumulated amortization	23,705	98,091	121,796
Capital assets			
Nondepreciable assets	3,907,210	1,112,020	5,019,230
Depreciable assets, net	8,656,338	21,434,161	30,090,499
Total assets	\$ 20,837,461	\$ 27,361,480	\$ 48,198,941
Liabilities			
Current liabilities			
Accounts payable and other current liabilities	\$ 284,852	\$ 911,720	\$ 1,196,572
Accrued expenses	-	58,947	58,947
Deposits	28,387	-	28,387
Noncurrent liabilities			
Due within one year	270,302	692,522	962,824
Due in more than one year	2,214,249	9,574,643	11,788,892
Total liabilities	2,797,790	11,237,832	14,035,622
Net assets			
Invested in capital assets, net of related debt	11,129,884	12,544,318	23,674,202
Restricted for major facility fee	-	2,918,400	2,918,400
Unrestricted	6,909,787	660,930	7,570,717
Total net assets	\$ 18,039,671	\$ 16,123,648	\$ 34,163,319

See notes to financial statements

Town of La Plata, Maryland
STATEMENT OF ACTIVITIES
Year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government
Governmental activities							
General government	\$ 1,723,020	\$ 119,953	\$ 10,500	\$ -	\$ (1,592,567)	\$ -	\$ (1,592,567)
Public safety	1,668,805	-	36,368	-	(1,632,437)	-	(1,632,437)
Public works	1,519,995	-	30,352	96,425	(1,393,218)	-	(1,393,218)
Parks, recreation and culture	502,853	8,401	2,750	94,468	(397,234)	-	(397,234)
Interest long-term debt	93,841	-	-	-	(93,841)	-	(93,841)
Total governmental activities	<u>5,508,514</u>	<u>128,354</u>	<u>79,970</u>	<u>190,893</u>	<u>(5,109,297)</u>	<u>-</u>	<u>(5,109,297)</u>
Business-type activities							
Water and sewer services	3,104,584	3,542,944	-	981,391	-	1,419,751	1,419,751
Sanitation and waste removal	773,236	1,125,693	-	-	-	352,457	352,457
Storm water management	27,060	48,157	-	-	-	21,097	21,097
Total business-type activities	<u>3,904,880</u>	<u>4,716,794</u>	<u>-</u>	<u>981,391</u>	<u>-</u>	<u>1,793,305</u>	<u>1,793,305</u>
Total primary government	<u>\$ 9,413,394</u>	<u>\$ 4,845,148</u>	<u>\$ 79,970</u>	<u>\$ 1,172,284</u>	<u>(5,109,297)</u>	<u>1,793,305</u>	<u>(3,315,992)</u>
General revenues							
Taxes							
Property					4,170,406	-	4,170,406
Income					1,007,123	-	1,007,123
Franchise fee					148,667	-	148,667
Investment earnings					44,177	31,267	75,444
Miscellaneous					79,963	-	79,963
Transfers					550,026	(550,026)	-
Total general revenues and transfers					<u>6,000,362</u>	<u>(518,759)</u>	<u>5,481,603</u>
Change in net assets					891,065	1,274,546	2,165,611
Net assets - beginning of year					<u>17,148,606</u>	<u>14,849,102</u>	<u>31,997,708</u>
Net assets - end of year					<u>\$ 18,039,671</u>	<u>\$ 16,123,648</u>	<u>\$ 34,163,319</u>

See notes to financial statements

Town of La Plata, Maryland

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Nonmajor Governmental Funds	Total Government Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Equity in pooled cash and cash equivalents	\$ 112,616	\$ 42,509	\$ 155,125
Investments, including accrued interest	7,713,489	16,475	7,729,964
Property taxes receivable	48,712	-	48,712
Due from other governments	130,712	94,468	225,180
Other receivables	33,147	-	33,147
Prepaid expenses	58,080	-	58,080
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 8,096,756</u>	<u>\$ 153,452</u>	<u>\$ 8,250,208</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	132,512	137,634	270,146
Deposits	28,387	-	28,387
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>160,899</u>	<u>137,634</u>	<u>298,533</u>
Fund balances			
Nonspendable			
Prepaid expenses	58,080	-	58,080
Assigned			
Willow Lane	34,500	-	34,500
Park and Recreation Facilities	184,595	-	184,595
Transportation Improvements	403,150	-	403,150
Vehicle Replacement	722,636	-	722,636
Forest Conservation	8,774	-	8,774
Contingency	1,600,000	-	1,600,000
Unassigned	4,924,122	15,818	4,939,940
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>7,935,857</u>	<u>15,818</u>	<u>7,951,675</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 8,096,756</u>	<u>\$ 153,452</u>	<u>\$ 8,250,208</u>

See notes to financial statements

Town of La Plata, Maryland

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2011

Total fund balances - governmental funds		\$ 7,951,675
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 as assets in governmental funds.		
Cost of capital assets	\$ 16,393,133	
Accumulated depreciation	<u>(3,829,585)</u>	12,563,548
Bond issuance costs are expensed at the time of issuance but deferred and amortized in the governmental statement of activities		
		23,705
Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds.		
General obligation bonds	(2,161,072)	
Accrued interest payable	(14,706)	
Notes payable	(127,776)	
Accumulated unused compensated absences	<u>(195,703)</u>	<u>(2,499,257)</u>
Total net assets - governmental activities		<u>\$ 18,039,671</u>

See notes to financial statements

Town of La Plata, Maryland

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

Year ended June 30, 2011

	General Fund	Nonmajor Governmental Funds	Total Government Funds
	<u> </u>	<u> </u>	<u> </u>
Revenue			
Taxes	\$ 5,177,529	\$ -	\$ 5,177,529
Licenses and permits	225,809	-	225,809
Intergovernmental	163,145	107,718	270,863
Charges for services	51,212	-	51,212
Miscellaneous	79,963	-	79,963
	<u>5,697,658</u>	<u>107,718</u>	<u>5,805,376</u>
Total revenue			
Expenditures			
Current			
General government	1,743,131	-	1,743,131
Public safety	1,626,481	-	1,626,481
Public works	1,329,481	-	1,329,481
Parks, recreation and culture	493,340	-	493,340
Capital outlay	-	103,861	103,861
Debt service			
Principal reduction	258,577	-	258,577
Interest	96,034	-	96,034
	<u>5,547,044</u>	<u>103,861</u>	<u>5,650,905</u>
Total expenditures			
Excess of revenue over expenditures	<u>150,614</u>	<u>3,857</u>	<u>154,471</u>
Other financing sources			
Investment earnings	44,177	-	44,177
Transfers in	550,026	-	550,026
	<u>594,203</u>	<u>-</u>	<u>594,203</u>
Total other financing sources			
Excess of revenue and other financing sources over expenditures and other financing sources	744,817	3,857	748,674
Fund balances at beginning of year	<u>7,191,040</u>	<u>11,961</u>	<u>7,203,001</u>
Fund balances at end of year	<u>\$ 7,935,857</u>	<u>\$ 15,818</u>	<u>\$ 7,951,675</u>

See notes to financial statements

Town of La Plata, Maryland

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES

Year ended June 30, 2011

\$ 748,674

Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlays	\$ 461,503	
Depreciation	<u>(574,196)</u>	(112,693)

Repayment of loan principal is an expenditure in the general fund, but the repayment reduces noncurrent liabilities in the statement of net assets.

258,577

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, requiring the use of current financial resources. In the statement of activities interest expense is recognized as the interest accrues. The additional interest reported in the statement of activities is the result of accrued interest on long term debt. This is the amount by which accrued interest (increased) decreased.

2,193

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount by which accumulated unused compensated absences increased.

(2,254)

Bond issuance costs related to long term debt is an expenditure in the general fund, but the cost increases noncurrent assets in the statement of net assets. This is the amount of bond issuance costs amortization.

(3,432)

Change in net assets of governmental activities

\$ 891,065

See notes to financial statements

Town of La Plata, Maryland

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND

Year ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues				
Taxes	\$ 4,980,730	\$ 4,980,730	\$ 5,177,529	\$ 196,799
Licenses and permits	250,600	250,600	225,809	(24,791)
Intergovernmental	302,710	302,710	163,145	(139,565)
Service charges	21,800	21,800	51,212	29,412
Miscellaneous	58,260	58,260	124,140	65,880
Total revenues	5,614,100	5,614,100	5,741,835	127,735
Expenditures				
Current				
General government	1,738,690	1,738,690	1,743,131	(4,441)
Public safety	1,753,205	1,753,205	1,626,481	126,724
Public works	1,599,165	1,599,165	1,329,481	269,684
Parks, recreation and culture	683,980	683,980	493,340	190,640
Debt service	364,105	364,105	354,611	9,494
Total expenditures	6,139,145	6,139,145	5,547,044	592,101
Other financing sources				
Transfers in	347,090	347,090	550,026	202,936
Net change in fund balance	\$ (177,955)	\$ (177,955)	744,817	\$ 922,772
Fund balance at beginning of year			7,191,040	
Fund balance at end of year			\$ 7,935,857	

See notes to financial statements

Town of La Plata, Maryland

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2011

	Business Type Activities - Enterprise Funds			Total Business-Type Activities
	Water and Sewer Fund	Sanitation Fund	Nonmajor Proprietary Fund	
Assets				
Current assets				
Equity in pooled cash and cash equivalents	\$ 67,861	\$ 9,394	\$ 1,246	\$ 78,501
Investments	2,828,914	463,151	63,848	3,355,913
Service charges receivable	980,287	290,002	12,505	1,282,794
	<u>3,877,062</u>	<u>762,547</u>	<u>77,599</u>	<u>4,717,208</u>
Noncurrent assets				
Bond issuance costs - net of accumulated amortization	98,091	-	-	98,091
Capital assets				
Land	399,295	-	-	399,295
Buildings	13,330,851	-	-	13,330,851
Improvements	17,150	-	-	17,150
Infrastructure	17,056,833	-	-	17,056,833
Other equipment	1,328,952	16,403	2,138	1,347,493
Vehicles and mobile equipment	519,481	358,787	-	878,268
Construction-in-progress	712,725	-	-	712,725
	<u>33,365,287</u>	<u>375,190</u>	<u>2,138</u>	<u>33,742,615</u>
Less accumulated depreciation	(10,968,358)	(227,327)	(749)	(11,196,434)
	<u>22,396,929</u>	<u>147,863</u>	<u>1,389</u>	<u>22,546,181</u>
Total assets	<u>\$ 26,372,082</u>	<u>\$ 910,410</u>	<u>\$ 78,988</u>	<u>\$ 27,361,480</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 820,069	\$ 81,382	\$ 10,269	\$ 911,720
Accrued liabilities	58,947	-	-	58,947
Revenue bonds payable	571,882	-	-	571,882
General obligation bonds payable	119,381	-	-	119,381
Compensated absences	1,259	-	-	1,259
Noncurrent liabilities				
Revenue bonds payable	8,349,770	-	-	8,349,770
General obligation bonds payable	1,204,571	-	-	1,204,571
Compensated absences	14,036	6,266	-	20,302
Total liabilities	<u>11,139,915</u>	<u>87,648</u>	<u>10,269</u>	<u>11,237,832</u>
Net assets				
Invested in capital assets, net of related debt	12,395,066	147,863	1,389	12,544,318
Restricted				
Major facility fee	2,918,400	-	-	2,918,400
Unrestricted (deficit)	(81,299)	674,899	67,330	660,930
Total net assets	<u>15,232,167</u>	<u>822,762</u>	<u>68,719</u>	<u>16,123,648</u>
Total liabilities and net assets	<u>\$ 26,372,082</u>	<u>\$ 910,410</u>	<u>\$ 78,988</u>	<u>\$ 27,361,480</u>

See notes to financial statements

Town of La Plata, Maryland

STATEMENT OF REVENUE, EXPENSES AND CHANGES
IN NET ASSETS - PROPRIETARY FUNDS

Year ended June 30, 2011

	Business Type Activities - Enterprise Funds			Total Business-Type Activities
	Water and Sewer Fund	Sanitation Fund	Nonmajor Proprietary Fund	
Operating revenue				
Current use charges	\$ 3,517,743	\$ 1,103,100	\$ 48,157	\$ 4,669,000
Miscellaneous				
Water meters	6,500	-	-	6,500
Bulk water	123	-	-	123
Other	18,578	22,593	-	41,171
Total operating revenue	<u>3,542,944</u>	<u>1,125,693</u>	<u>48,157</u>	<u>4,716,794</u>
Operating expenses				
Salaries and payroll expense	329,299	232,456	-	561,755
Electricity	466,313	-	-	466,313
Repairs and maintenance of systems and equipment	171,780	4,315	-	176,095
Other operating expenses	1,194,424	519,444	26,632	1,740,500
Amortization	9,172	-	-	9,172
Depreciation	767,150	17,021	428	784,599
Total operating expenses	<u>2,938,138</u>	<u>773,236</u>	<u>27,060</u>	<u>3,738,434</u>
Operating income	<u>604,806</u>	<u>352,457</u>	<u>21,097</u>	<u>978,360</u>
Nonoperating revenue (expenses)				
Interest income	27,247	4,020	-	31,267
Interest charges	(166,446)	-	-	(166,446)
Grant proceeds	981,391	-	-	981,391
Total nonoperating revenue	<u>842,192</u>	<u>4,020</u>	<u>-</u>	<u>846,212</u>
Income before transfers	1,446,998	356,477	21,097	1,824,572
Transfers (out) in	<u>(402,006)</u>	<u>(184,070)</u>	<u>36,050</u>	<u>(550,026)</u>
Change in net assets	1,044,992	172,407	57,147	1,274,546
Net assets - beginning of year	<u>14,187,175</u>	<u>650,355</u>	<u>11,572</u>	<u>14,849,102</u>
Net assets - end of year	<u>\$ 15,232,167</u>	<u>\$ 822,762</u>	<u>\$ 68,719</u>	<u>\$ 16,123,648</u>

See notes to financial statements

Town of La Plata, Maryland

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2011

	Business Type Activities - Enterprise Funds			Total Business-Type Activities
	Water and Sewer Fund	Sanitation Fund	Nonmajor Proprietary Fund	
Cash flows for operating activities				
Receipts from customers	\$ 3,408,914	\$ 1,120,749	\$ 47,793	\$ 4,577,456
Payments to employees	(329,443)	(231,173)	-	(560,616)
Payments to suppliers for goods and services	(1,758,516)	(502,434)	(16,363)	(2,277,313)
Net cash provided by operating activities	<u>1,320,955</u>	<u>387,142</u>	<u>31,430</u>	<u>1,739,527</u>
Cash flows from noncapital financing activities				
Transfers (out) in	(402,006)	(184,070)	36,050	(550,026)
Change in due from other funds	1,129,684	-	(2,386)	1,127,298
Net cash provided by (used in) noncapital financing activities	<u>727,678</u>	<u>(184,070)</u>	<u>33,664</u>	<u>577,272</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(3,852,934)	-	-	(3,852,934)
Principal paid on bonds	(484,965)	-	-	(484,965)
Proceeds from bonds payable	2,880,483	-	-	2,880,483
Payment of bond issuance costs	(6,728)	-	-	(6,728)
Grant proceeds received	981,391	-	-	981,391
Interest paid on bonds	(158,826)	-	-	(158,826)
Net cash used in capital and related financing activities	<u>(641,579)</u>	<u>-</u>	<u>-</u>	<u>(641,579)</u>
Cash flows from investing activities				
Deposits made for investments	(2,828,914)	(463,151)	(63,848)	(3,355,913)
Interest earned	27,247	4,020	-	31,267
Net cash used in investing activities	<u>(2,801,667)</u>	<u>(459,131)</u>	<u>(63,848)</u>	<u>(3,324,646)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,394,613)	(256,059)	1,246	(1,649,426)
Cash and cash equivalents, beginning of year	<u>1,462,474</u>	<u>265,453</u>	<u>-</u>	<u>1,727,927</u>
Cash and cash equivalents, end of year	<u>\$ 67,861</u>	<u>\$ 9,394</u>	<u>\$ 1,246</u>	<u>\$ 78,501</u>

(continued)

Town of La Plata, Maryland

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED

Year ended June 30, 2011

	Business Type Activities - Enterprise Funds			Total Business-Type Activities
	Water and Sewer Fund	Sanitation Fund	Nonmajor Proprietary Fund	
Operating income	\$ 604,806	\$ 352,457	\$ 21,097	\$ 978,360
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	767,150	17,021	428	784,599
Amortization	9,172	-	-	9,172
Changes in assets and liabilities				
Accounts receivable	(134,030)	(4,944)	(364)	(139,338)
Accounts payable	74,001	21,325	10,269	105,595
Compensated absences	(144)	1,283	-	1,139
Net cash provided by operating activities	<u>\$ 1,320,955</u>	<u>\$ 387,142</u>	<u>\$ 31,430</u>	<u>\$ 1,739,527</u>

See notes to financial statements

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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:

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. The 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.

Government-wide and Fund Financial Statements

Government-wide Financial Statements: The government-wide financial statements report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund 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.

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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 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.

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 an 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.

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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.

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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.

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

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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.

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.

Budgetary Data

Budgetary data is presented in the basic financial statements for the General Fund. Outstanding encumbrances and transfers to vehicle replacement reserves are recorded as expenditures. In addition, transfers from unappropriated surpluses are recorded as revenue.

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

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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.

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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

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.

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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.

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

	<u>Estimated useful lives</u>
Buildings	25 - 40
Infrastructure (including water lines and pumping station)	15 - 35
Improvements other than building	15
Other equipment	5 - 15
Vehicles and mobile equipment	5 - 15

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.

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

Bond Issuance Costs

Bond issuance costs are deferred and amortized over the term of the bonds using the effective interest method.

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, 2011, 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.

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.

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

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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.

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 IEIC 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.

New GASB Standards

GASB has issued the pronouncements noted below, prior to the year ended June 30, 2011, the implementation of which will impact the financial statements of the Town:

- GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," became effective for the Town beginning with its year ended June 30, 2011. This Statement is designed to improve financial reporting by establishing fund balance classifications that are easier to understand and apply.

NOTE 2 - CASH AND 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 and 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

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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, 2011, 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, 2011, 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 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of transfers in the Town’s normal course of business from the Water and Sewer Fund, the Sanitation Fund, and the Nonmajor Proprietary Fund to the General Fund totaling \$550,026.

NOTE 4 - BOND ISSUANCE COSTS

Issuance costs on bonds payable consists of the following at June 30, 2011:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance June 30, 2011</u>
Governmental activities	\$ 27,137	\$ -	\$ (3,432)	\$ 23,705
Business-type activities	100,535	6,728	(9,172)	98,091
	<u>\$ 127,672</u>	<u>\$ 6,728</u>	<u>\$ (12,604)</u>	<u>\$ 121,796</u>

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

NOTE 5 - CAPITAL ASSETS

A summary of changes in governmental activities capital assets for the year ended June 30, 2011 is as follows:

Asset Class	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
Capital assets not being depreciated				
Land	\$ 3,683,801	\$ -	\$ -	\$ 3,683,801
Construction in progress	32,517	190,892	-	223,409
Total capital assets not being depreciated	3,716,318	190,892	-	3,907,210
Capital assets being depreciated				
Buildings	6,176,924	-	-	6,176,924
Improvements other than buildings	638,631	-	-	638,631
Infrastructure	3,538,994	270,611	-	3,809,605
Other equipment	432,894	-	-	432,894
Vehicles and mobile equipment	1,427,869	-	-	1,427,869
Total capital assets being depreciated	12,215,312	270,611	-	12,485,923
Accumulated depreciation for:				
Buildings	(908,286)	(160,043)	-	(1,068,329)
Improvements other than buildings	(195,514)	(39,702)	-	(235,216)
Infrastructure	(907,009)	(195,814)	-	(1,102,823)
Other equipment	(280,618)	(45,432)	-	(326,050)
Vehicles and mobile equipment	(963,962)	(133,205)	-	(1,097,167)
Total accumulated depreciation	(3,255,389)	(574,196)	-	(3,829,585)
Total capital assets, being depreciated, net	8,959,923	(303,585)	-	8,656,338
Governmental capital assets, net	\$ 12,676,241	\$ (112,693)	\$ -	\$ 12,563,548

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

A summary of changes in business-type activities capital assets for the year ended June 30, 2011 is as follows:

Asset Class	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
Capital assets not being depreciated				
Land	\$ 399,295	\$ -	\$ -	\$ 399,295
Construction in progress	2,225,905	350,746	(1,863,926)	712,725
Total capital assets not being depreciated	2,625,200	350,746	(1,863,926)	1,112,020
Capital assets being depreciated				
Buildings	13,330,851	-	-	13,330,851
Infrastructure	11,773,037	5,283,796	-	17,056,833
Improvements other than buildings	11,190	5,960	-	17,150
Other equipment	1,347,493	-	-	1,347,493
Vehicles and mobile equipment	801,910	76,358	-	878,268
Total capital assets being depreciated	27,264,481	5,366,114	-	32,630,595
Accumulated depreciation for:				
Buildings	(4,674,769)	(367,392)	-	(5,042,161)
Infrastructure	(3,934,618)	(359,001)	-	(4,293,619)
Improvements other than buildings	(4,520)	(336)	-	(4,856)
Other equipment	(1,223,861)	(27,181)	-	(1,251,042)
Vehicles and mobile equipment	(574,067)	(30,689)	-	(604,756)
Total accumulated depreciation	(10,411,835)	(784,599)	-	(11,196,434)
Total capital assets, being depreciated, net	16,852,646	4,581,515	-	21,434,161
Business-type capital assets, net	\$ 19,477,846	\$ 4,932,261	\$ (1,863,926)	\$ 22,546,181

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

Depreciation expense was charged in the statement of activities for the year ended June 30, 2011 as follows:

Governmental activities		
General government	\$	115,706
Public safety		147,911
Public works		282,810
Parks, recreation and culture		27,769
		<u>574,196</u>
	\$	<u>574,196</u>
Business-type activities		
Water and sewer fund	\$	767,150
Sanitation fund		17,021
Nonmajor proprietary fund		428
		<u>784,599</u>
	\$	<u>784,599</u>

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity as of and for the year ended June 30, 2011, is as follows:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
Governmental activities					
General obligation bonds	\$ 2,360,848	\$ -	\$ (199,775)	\$ 2,161,073	\$ 199,777
Notes payable	186,577	-	(58,802)	127,775	58,801
Compensated absences	193,449	10,898	(8,644)	195,703	11,724
	<u>\$ 2,740,874</u>	<u>\$ 10,898</u>	<u>\$ (267,221)</u>	<u>\$ 2,484,551</u>	<u>\$ 270,302</u>
Business-type activities					
Revenue bonds	\$ 6,409,643	\$ 2,880,483	\$ (368,474)	\$ 8,921,652	\$ 374,371
General obligation bonds	1,440,443	-	(116,491)	1,323,952	316,892
Compensated absences	20,422	2,380	(1,241)	21,561	1,259
	<u>\$ 7,870,508</u>	<u>\$ 2,882,863</u>	<u>\$ (486,206)</u>	<u>\$ 10,267,165</u>	<u>\$ 692,522</u>

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

General obligation bonds payable relating to governmental activities at June 30, 2011 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.	\$ 855,185
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.	172,308
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.	<u>1,133,580</u>
	<u>\$ 2,161,073</u>

Notes payable relating to governmental activities at June 30, 2011 consists of the following:

Note payable with fire house, noninterest bearing, payable in annual installments of \$2,000 through June 2023.	\$ 24,000
Note payable with bank, unsecured, interest rate 3.1%, payable in quarterly installments of principal and interest of \$15,297 through March 2013.	<u>103,775</u>
	<u>\$ 127,775</u>

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

A schedule of maturities of the general obligation bonds payable and notes payable relating to governmental activities as of June 30, 2011 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2012	\$ 263,353	\$ 87,000	\$ 350,353
2013	252,979	77,776	330,755
2014	211,846	69,136	280,982
2015	215,679	61,044	276,723
2016	219,433	52,792	272,225
2017 - 2021	666,711	161,388	828,099
2022 - 2026	458,847	60,485	519,332
	<u>\$ 2,288,848</u>	<u>\$ 569,621</u>	<u>\$ 2,858,469</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, 2011 consists of the following:

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. \$ 771,630

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 of the costs associated with the bond are to be paid from revenue sources generated from a special tax district. 3,409,386

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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. 4,740,636

Town of La Plata, Maryland Water Quality Financing Administration Bond, Series 2011; authorized amount \$962,000; interest at 2.2% payable annually beginning February 2012 and including annual principal beginning August 2014. Principal serially redeemed through February 2033. No funds were advanced to the Town as of June 30, 2011. -

Town of La Plata, Maryland Drinking Water Bond, Series 2011A; authorized amount \$500,000; interest at 2.2% payable annually beginning February 2012 and including annual principal beginning February 2013. Principal serially redeemed through February 2032. No funds were advanced to the Town as of June 30, 2011. -

Town of La Plata, Maryland Drinking Water Bond, Series 2011B; authorized amount \$500,000. The bond is noninterest bearing and due on demand. No funds were advanced to the Town as of June 30, 2011. -

\$ 8,921,652

General obligation bonds payable relating to business-type activities at June 30, 2011 consists 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. \$ 243,740

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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. 242,692

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. 837,520

\$ 1,323,952

A schedule of maturities of the revenue bonds payable and general obligation bonds payable relating to business-type activities as of June 30, 2011 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2012	\$ 691,263	\$ 136,830	\$ 828,093
2013	705,846	123,913	829,759
2014	717,885	113,938	831,823
2015	729,787	103,728	833,515
2016	741,888	93,297	835,185
2017 - 2021	3,526,460	328,196	3,854,656
2022 - 2026	2,184,601	134,237	2,318,838
2027 - 2030	947,874	23,815	971,689
	<u>\$ 10,245,604</u>	<u>\$ 1,057,954</u>	<u>\$ 11,303,558</u>

NOTE 7 - 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

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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 8 - 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 five 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.

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

Annual Pension Cost

The Town's contributions totaling \$183,845, or 7.3 percent of covered payroll, for the period July 1, 2010 through June 30, 2011, were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2010. 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 2.75 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.00 percent to 8.25 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.

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:

	Total Annual Pension Cost (APC)	APC Contributed By the Town	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 163,770	\$ 163,770	100%	\$ -
June 30, 2010	\$ 177,315	\$ 177,315	100%	\$ -
June 30, 2011	\$ 183,845	\$ 183,845	100%	\$ -

NOTE 9 - 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.

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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 design and construct the Enhanced Nutrient Removal (ENR) upgrades to the Town's Waste Water Treatment Plant. The project is being financed by grant proceeds. The value of the Town's commitment under this contract is \$8,152,052.

The Town entered into a contract to replace and upgrade customer water meters. The project is being financed through a state loan. The value of the Town's commitment under this contract is \$886,135.

The Town entered into a contract to upgrade to an automated trash collection system. The project is being financed through Town funding. The value of the Town's commitment under this contract is \$266,110

NOTE 10 - FUND BALANCE

In accordance with GASB statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," the Town classifies governmental fund balances as follows:

- Nonspendable Fund Balance - includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual agreements.
- Assigned Fund Balance - includes spendable amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Town Treasurer.
- Unassigned Fund Balance - includes residual positive amounts within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Town of La Plata, Maryland

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

The Town spends restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the Town would first use assigned and then unassigned amounts of unrestricted fund balance when expenditures are made.

NOTE 11 - SUBSEQUENT EVENTS

Events that occur after the statement of net assets date but before the financial statements were available to be issued must be evaluated for recognition and disclosure. The effects of the subsequent events that provide evidence about conditions that exist after the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that exist after the statement of net assets date require disclosure in the accompanying notes. Management evaluated the activity of the Town through December 9, 2011 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Town of La Plata, Maryland

COMBINED STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND

June 30, 2011

Schedule of funding progress (unaudited) for the combined state retirement and pension system of Maryland, is as follows:

(Expressed in thousands)

Actuarial Valuation Date	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]
June 30, 2008	\$ 39,504,284	\$ 50,244,047	\$ 10,739,763	78.62%	\$ 10,542,806	102%
June 30, 2009	\$ 34,284,569	\$ 52,729,171	\$ 18,444,602	65.02%	\$ 10,714,241	172%
June 30, 2010	\$ 34,688,346	\$ 54,085,081	\$ 19,396,735	64.14%	\$ 10,657,944	182%

SUPPLEMENTARY INFORMATION

Town of La Plata, Maryland
 SCHEDULE OF REVENUES -
 BUDGET AND ACTUAL - GENERAL FUND

Year ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Taxes				
Local property taxes				
Real property	\$ 3,743,880	\$ 3,743,880	\$ 3,845,323	\$ 101,443
Personal property	195,000	195,000	226,603	31,603
Railroads and public utilities	79,000	79,000	98,480	19,480
Penalties and interest	9,000	9,000	-	(9,000)
Income tax	952,850	952,850	1,007,123	54,273
Admission and amusement	1,000	1,000	2,153	1,153
Total taxes	4,980,730	4,980,730	5,179,682	198,952
Licenses and permits				
Traders	20,600	20,600	17,241	(3,359)
Construction permits	95,000	95,000	59,901	(35,099)
Franchise	135,000	135,000	148,667	13,667
Total licenses and permits	250,600	250,600	225,809	(24,791)
Service charges				
Rental inspection fees	10,650	10,650	24,815	14,165
Parkland fee	7,500	7,500	7,500	-
Annexation applications	500	500	610	110
Other	3,150	3,150	18,287	15,137
Total service charges	21,800	21,800	51,212	29,412
Intergovernmental				
Grants from state government:	150,000	150,000	-	(150,000)
State Police protection	40,000	40,000	36,368	(3,632)
Highway	17,710	17,710	31,803	14,093
Grants from federal government	95,000	95,000	94,974	(26)
Total intergovernmental	302,710	302,710	163,145	(139,565)
Miscellaneous				
Fines and forfeitures	3,270	3,270	2,605	(665)
Investment earnings	20,000	20,000	44,178	24,178
Miscellaneous	30,000	30,000	56,470	26,470
Rents and concessions	4,990	4,990	18,734	13,744
Total miscellaneous	58,260	58,260	121,987	63,727
Total revenues	\$ 5,614,100	\$ 5,614,100	\$ 5,741,835	\$ 127,735

Town of La Plata, Maryland

SCHEDULE OF EXPENDITURES - BUDGET
AND ACTUAL - GENERAL FUND

Year ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
General government				
Legislative	\$ 187,140	\$ 187,140	\$ 203,024	\$ (15,884)
Administration				
Salaries	456,420	456,420	413,839	42,581
Operating expenses	85,175	85,175	80,638	4,537
Capital outlay	2,500	2,500	1,050	1,450
	<u>544,095</u>	<u>544,095</u>	<u>495,527</u>	<u>48,568</u>
Financial administration				
Salaries	397,790	397,790	428,064	(30,274)
Operating expenses	64,235	64,235	66,289	(2,054)
	<u>462,025</u>	<u>462,025</u>	<u>494,353</u>	<u>(32,328)</u>
Law				
Operating expenses	65,000	65,000	29,449	35,551
Planning and zoning				
Salaries	139,645	139,645	94,229	45,416
Operating expenses	29,390	29,390	50,001	(20,611)
	<u>169,035</u>	<u>169,035</u>	<u>144,230</u>	<u>24,805</u>
Information technology				
Salaries	8,395	8,395	3,953	4,442
Operating expenses	85,780	85,780	234,267	(148,487)
	<u>94,175</u>	<u>94,175</u>	<u>238,220</u>	<u>(144,045)</u>
Other general government				
HR/personnel	18,900	18,900	16,299	2,601
Operating expenses	198,320	198,320	122,029	76,291
	<u>217,220</u>	<u>217,220</u>	<u>138,328</u>	<u>78,892</u>
Total general government	<u>1,738,690</u>	<u>1,738,690</u>	<u>1,743,131</u>	<u>(4,441)</u>

Town of La Plata, Maryland

SCHEDULE OF EXPENDITURES - BUDGET
AND ACTUAL - GENERAL FUND - CONTINUED

Year ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Public safety				
Police Department				
Salaries	1,299,235	1,299,235	1,248,488	50,747
Operating expenses	138,610	138,610	167,850	(29,240)
Capital outlay	138,000	138,000	102,376	35,624
	<u>1,575,845</u>	<u>1,575,845</u>	<u>1,518,714</u>	<u>57,131</u>
Emergency preparedness				
Operating expenses	8,900	8,900	8,640	260
Inspections and enforcement				
Salaries	124,040	124,040	76,384	47,656
Operating expenses	44,420	44,420	22,743	21,677
	<u>168,460</u>	<u>168,460</u>	<u>99,127</u>	<u>69,333</u>
Total public safety	<u>1,753,205</u>	<u>1,753,205</u>	<u>1,626,481</u>	<u>126,724</u>
Public works				
Public works administration				
Salaries	394,550	394,550	389,403	5,147
Operating expenses	110,180	110,180	107,331	2,849
	<u>504,730</u>	<u>504,730</u>	<u>496,734</u>	<u>7,996</u>
Maintenance operations				
Salaries	165,015	165,015	150,872	14,143
Operating expenses	329,740	329,740	249,554	80,186
	<u>494,755</u>	<u>494,755</u>	<u>400,426</u>	<u>94,329</u>
Streets				
Salaries	84,650	84,650	68,091	16,559
Operating expenses	425,320	425,320	266,402	158,918
Capital outlay	89,710	89,710	97,828	(8,118)
	<u>599,680</u>	<u>599,680</u>	<u>432,321</u>	<u>167,359</u>
Total public works	<u>1,599,165</u>	<u>1,599,165</u>	<u>1,329,481</u>	<u>269,684</u>

Town of La Plata, Maryland

SCHEDULE OF EXPENDITURES - BUDGET
AND ACTUAL - GENERAL FUND - CONTINUED

Year ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Parks, recreation and culture				
Park maintenance and recreation				
Salaries	130,120	130,120	136,699	(6,579)
Operating expenses	145,120	145,120	45,991	99,129
Capital outlay	150,000	150,000	76,758	73,242
	<u>425,240</u>	<u>425,240</u>	<u>259,448</u>	<u>165,792</u>
Community promotion				
Salaries	62,430	62,430	83,036	(20,606)
Operating expenses	196,310	196,310	150,856	45,454
	<u>258,740</u>	<u>258,740</u>	<u>233,892</u>	<u>24,848</u>
Total parks, recreation and culture	<u>683,980</u>	<u>683,980</u>	<u>493,340</u>	<u>190,640</u>
Debt service	<u>364,105</u>	<u>364,105</u>	<u>354,611</u>	<u>9,494</u>
Total expenditures	<u>\$ 6,139,145</u>	<u>\$ 6,139,145</u>	<u>\$ 5,547,044</u>	<u>\$ 592,101</u>