

Town of La Plata, Maryland
Financial Statements
and Independent Auditors' Report
June 30, 2012

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, 2012, and the respective changes in financial position and the budgetary comparison for the General Fund 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, 2012, and the respective changes in financial position and cash flows, where applicable thereof and the respective 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 December 5, 2012, 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 page 48, respectively, 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 opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The budgetary information is presented for purposes of additional analysis and is not a required part of the financial statements. The budgetary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Baltimore, Maryland
December 5, 2012

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplemental Information

June 30, 2012

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, 2012. 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 \$41,972,803 (net assets). Of this amount, \$9,509,578 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.

The total net assets increased by \$7,809,484. Of this amount, \$1,203,302 was associated with governmental and \$6,606,182 with business-type activities.

As of the close of the current fiscal year, the Town's general fund reported a fund balance of \$9,152,598, an increase of \$1,216,741 from the prior year and the Nonmajor Governmental Funds reported a fund balance of \$15,082.

The net assets for business-type activities (Water and Sewer Fund, Sanitation Fund, Nonmajor Proprietary Fund) increased by \$6,606,182. The increase was primarily attributable to the fact that the Town funded approximately \$6,602,918 in Enhanced Nutrient Removal (ENR) upgrades to its Waste Water Treatment Plant (WWTP) with a Maryland Department of the Environment grant in FY12.

Overall, the Town's total long-term obligations decreased approximately \$251,894 in FY12. The General Fund obligations actually decreased by approximately \$253,335 but this was offset by increases in the Enterprise Fund debt that occurred in association with the Town's Waste Water Treatment Plant Enhanced Nutrient Removal Upgrade project and the acquisition and implementation of the Automated Water Meter Reading system for the Town's water meters.

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, 2012

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

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplemental Information - Continued

June 30, 2012

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 \$41,972,803 at the close of the most recent fiscal year.

Of the Town's net assets, 71.4 percent is invested 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.

Town of La Plata, Maryland

**Management's Discussion and Analysis -
Required Supplemental Information - Continued**

June 30, 2012

Figure 1

Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total Town	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 9,534,126	\$ 8,273,913	\$ 6,364,243	\$ 4,815,299	\$ 15,898,369	\$ 13,089,212
Capital assets, net	12,300,009	12,563,548	29,001,888	22,546,181	41,301,897	35,109,729
Total assets	21,834,135	20,837,461	35,366,131	27,361,480	57,200,266	48,198,941
Liabilities:						
Long-term liabilities	2,231,216	2,484,551	10,268,606	10,267,165	12,499,822	12,751,716
Other liabilities	359,946	313,239	2,367,695	970,667	2,727,641	1,283,906
Total liabilities	2,591,162	2,797,790	12,636,301	11,237,832	15,227,463	14,035,622
Net assets:						
Invested in capital assets, net of related debt	11,015,563	11,129,884	18,963,077	12,544,318	29,978,640	23,674,202
Restricted	-	-	2,484,585	2,918,400	2,484,585	2,918,400
Unrestricted	8,227,410	6,909,787	1,282,168	660,930	9,509,578	7,570,717
Total net assets	\$ 19,242,973	\$ 18,039,671	\$ 22,729,830	\$ 16,123,648	\$ 41,972,803	\$ 34,163,319

Governmental Activities. Governmental activities increased the Town's net assets by \$1,203,302, accounting for 15.4 percent of the total growth in net assets.

Overall governmental activity revenue increased by approximately \$252,179 or 3.94 % in FY12 compared to FY11. The largest percentage increases occurred in Operating Grants and Contributions revenue, Income Tax revenue and Miscellaneous revenues which increased respectively by 132% or \$105,250, 12% or \$125,129 and 36% or \$28,389. The largest dollar increase occurred was in property taxes, which increased \$173,792 or 4.17%. These increases and those in the other revenue categories were partially offset by decreases in Capital Grants and Contributions revenue and Transfer revenue.

The increase in the Operating Grants and Contributions resulted from the partial restoration of Highway User Fund revenues in FY12 and the fact that the Town received Federal Emergency Management Agency grant reimbursements for 75% of the costs incurred dealing with the effects of Hurricane Irene and Tropical Storm Lee in the fall of 2011 that it didn't receive in FY11. The increase in Income Tax revenue reflected the fact that the economy is slowly improving and personal incomes are once again increasing. The increase in Miscellaneous revenues was primarily attributable to the sale of a number of surplus vehicles.

The increase in real property tax revenue was attributable to the expiration of homestead tax credits on existing properties and an increased contribution from the owners of the Heritage Green Property in accordance with the terms of the Heritage Green Special Tax District agreement. For FY13 - FY15, the real property tax revenue the Town receives will be calculated using the real property assessments that were done in the fall and winter of 2011/12, which reflect the decline in housing values that

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplemental Information - Continued

June 30, 2012

occurred from 2008-2011, so the Town is expecting to see these revenues plateau and increase very little over the next three years.

The Capital Grant and Contribution revenue was lower in FY12 than FY11 because the Town undertook fewer general government activity capital projects in FY12 than it did in FY11. In FY11 there were two major projects, the ADA Sidewalk project and the majority of the Tilghman Lake bathroom building project. In FY12 all that occurred was the completion of the Tilghman Lake bathroom building.

Governmental activity expenses decreased by approximately \$60,058 or 1.09% from FY11 to FY12.

General government, public works and parks/recreations/community promotion expenses decreased compared to FY11, while public safety expenses increased.

The decrease in general government expenditures was \$69,888 or 4.06%. Legislative, Administration/General Services, Finance, Legal, Human Resources and Information Technology department expenditures all decreased while the Planning & Zoning department expenditures increased. The largest decrease was in Information Technology and it occurred because the significant, one-time acquisition and implementation costs of the Town's Enterprise Resources Planning system were incurred in FY11 and there were no corresponding costs in FY12. The Planning & Zoning department expenditures increased primarily as a result of the legal costs incurred as in association with the proposed Johel annexation and proposal to build a Super Walmart on the annexed property. It is worth noting that most of these costs were paid for by the petitioner/developer, per the terms of the annexation agreement.

Overall, public safety expenditures increased by \$89,322 or 5.35%. Police Department expenditures increased \$50,169 or 3.21%. The increase reflects higher salary and fringe benefit expenditures in FY12 (annual COLA and promotions), which were partially offset by decreases in expenditures for contracted services and training expenditures. Enforcement and Inspections expenditures increased \$39,153 or 39.50%. The increases were primarily in salaries (made code enforcement inspector position full-time instead of ½ time) and contracted services (contracted for administrative support in lieu of hiring an employee).

Public work's general expenditures decreased \$67,048 or 4.41%. Facility maintenance expenditures decreased by approximately \$62,630 (19.5%) and Streets expenditures decreased by approximately \$22,200 (6.9%). The decrease in facility maintenance costs was the result of lower contracted services expenditures, while the decrease in Streets was attributable to the fact that the Town spent less on sidewalk repairs in FY12 than it did in FY11, when it received a grant for ADA sidewalk repairs. These decreases

Town of La Plata, Maryland

**Management's Discussion and Analysis -
Required Supplemental Information - Continued**

June 30, 2012

were partially offset by increased costs in Fleet Maintenance expenditures (\$14,422 or 18.3%) and Administration (\$3,360 or 0.4%).

Parks/Recreation/Community Promotion expenditures decreased very slightly by \$5,014 or .99% from FY11 to FY12.

Business-Type Activities. The change in net assets of business-type activities was \$6,606,182, accounting for 85.6 percent of the total growth in net assets. \$6,536,520 of the change in net assets was attributable to the Water and Sewer Fund, while \$857 was attributable to the Sanitation Fund and the remaining \$68,805 was attributable to the Nonmajor Proprietary Fund (Stormwater Fund).

Figure 2

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Town	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 168,266	\$ 128,354	\$ 4,744,920	\$ 4,716,795	\$ 4,913,186	\$ 4,845,149
Operating grants and contributions	185,220	79,970	-	-	185,220	79,970
Capital grants and contributions	51,526	190,893	6,638,005	981,391	6,689,531	1,172,284
General revenues:						
Taxes						
Property	4,344,198	4,170,406	-	-	4,344,198	4,170,406
Income	1,132,252	1,007,123	-	-	1,132,252	1,007,123
Franchise fees	155,055	148,667	-	-	155,055	148,667
Investment earnings	48,382	44,177	13,696	31,266	62,078	75,443
Miscellaneous	108,352	79,963	-	-	108,352	79,963
Transfers	458,507	550,026	(458,507)	(550,026)	-	-
Total revenues	6,651,758	6,399,579	10,938,114	5,179,426	17,589,872	11,579,005
Expenses:						
General government	1,653,132	1,723,020	-	-	1,653,132	1,723,020
Public safety	1,758,127	1,668,805	-	-	1,758,127	1,668,805
Public works	1,452,947	1,519,995	-	-	1,452,947	1,519,995
Recreation	497,839	502,853	-	-	497,839	502,853
Water and sewer service	-	-	3,365,373	3,104,584	3,365,373	3,104,584
Sanitation and waste removal	-	-	911,996	773,236	911,996	773,236
Storm water management	-	-	54,563	27,060	54,563	27,060
Interest on long-term debt	86,411	93,841	-	-	86,411	93,841
Total expenses	5,448,456	5,508,514	4,331,932	3,904,880	9,780,388	9,413,394
Increase in net assets	\$ 1,203,302	\$ 891,065	\$ 6,606,182	\$ 1,274,546	\$ 7,809,484	\$ 2,165,611

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplemental Information - Continued

June 30, 2012

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 increased substantially in FY12. Thirty-five permits were issued for new residential construction in FY12 compared to twelve in FY11 and the total estimated value of the residential projects permitted increased from \$1,518,230 in FY11 to \$3,805,670 in FY12. There were twenty-nine commercial projects that were permitted in FY12 compared with fourteen in FY11 and the average value of the work per permit increased from \$143,350 to \$261,750 or 82%.

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 FY12 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 FY12 the amount collected was actually less than the FY12 debt 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 were three budget amendment resolutions considered and adopted by the Mayor and Council in FY12.

The first one adopted in February re-appropriated funds that had been budgeted in FY11 for the new automated trash collection system but not spent as of June 30, 2011, into the FY12 budget. It also appropriated a portion of the Parkland Reserve to cover costs incurred on the Tilghman Lake bathroom building in excess of the grant funding the Town received for the project and re-appropriated the grant funds that were unspent on the Tilghman Lake bathroom project at June 30, 2011 into the FY 12 budget. It also re-appropriated unexpended FY11 funds allocated to the GIS mapping of the Town's infrastructure into the FY12 budget. Lastly it appropriated the DOE/MEA grant funding for the public works HVAC upgrades into the FY12 budget.

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplemental Information - Continued

June 30, 2012

The second one, also adopted in March, re-appropriated the developer contribution for landscape improvements along Route 301, in front of the Rosewick shopping center, out of fund balance and into the FY12 budget.

The third one adopted in August appropriated the developer contribution revenues for the Johel/Walmart project into the FY12 budget.

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, 2011, was \$35,109,729 (net of accumulated depreciation) and grew to \$41,301,897 as of June 30, 2012. 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 5 to the basic financial statements.

The Town added \$536,253 of new capital assets in governmental activities in FY12. Among them were eight new police cruisers (\$221,520), a new HVAC system for the public works shop (\$54,121), the restroom building at Tilghman Lake (\$46,655), sidewalk repairs (\$13,018), a new Kubota mower (\$10,500) and a new police evidence room (\$8,737).

The Town added \$7,388,757 of new capital assets in business-type activities in FY12. The majority of this was associated with the Enhanced Nutrient Removal upgrade to the waste water treatment plant (\$6,361,540) and acquisition and implementation of an Automated Meter Reading system for the Town's water meters (\$817,218). There was also additional equipment purchased as part of the upgrade to the Town's trash collection system (\$100,675) and expenditures were made on the Willow Lane Roadway and Utility upgrade project (\$62,603).

Long-term Debt. At June 30, 2012, the Town had total outstanding debt of \$12,499,822. Total debt for the governmental activities is \$2,231,216. Total outstanding debt for business-type activities is \$10,268,606. More detailed information about long-term debt can be found in note 6 to the basic financial statements.

Town of La Plata, Maryland

Management's Discussion and Analysis - Required Supplemental Information - Continued

June 30, 2012

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 several years ago, 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, construction work on the Enhanced Nutrient Removal (ENR) upgrades to the waste water treatment plant commenced in the fall of 2012 and is on schedule and on budget. The water meter replacement/automated meter reading project was substantially complete as of June 30, 2012. The Town also implemented the new automated trash collection system which included acquiring and distributing standard trash carts to all the Town's trash customers, installing mechanical lifts on all the trucks that will lift and dump the carts and computer hardware and software that provides feedback about routes and volumes of trash collected, that will allow the Town to improve the efficiency of its trash collection services. 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.

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, 2012

	Governmental Activities	Business-Type Activities	Total Primary Government
Assets			
Equity in pooled cash and cash equivalents	\$ 3,751,928	\$ 103,607	\$ 3,855,535
Investments, including accrued interest	5,458,262	2,226,618	7,684,880
Receivables (net of allowance for uncollectibles)			
Property taxes	24,910	-	24,910
Water, sewer, sanitation and storm water services	-	1,297,783	1,297,783
Other receivables	47,015	-	47,015
Due from other governments	164,678	2,643,826	2,808,504
Prepaid expenses	61,649	-	61,649
Bond issuance costs - net of accumulated amortization	20,634	92,409	113,043
Other assets	5,050	-	5,050
Capital assets			
Nondepreciable assets	3,754,631	8,353,383	12,108,014
Depreciable assets, net	8,545,378	20,648,505	29,193,883
Total assets	\$ 21,834,135	\$ 35,366,131	\$ 57,200,266
Liabilities			
Current liabilities			
Accounts payable and other current liabilities	\$ 331,559	\$ 2,262,462	\$ 2,594,021
Accrued expenses	-	61,483	61,483
Deposits	28,387	-	28,387
Due to other government	-	43,750	43,750
Noncurrent liabilities			
Due within one year	274,453	745,249	1,019,702
Due in more than one year	1,956,763	9,523,357	11,480,120
Total liabilities	2,591,162	12,636,301	15,227,463
Net assets			
Invested in capital assets, net of related debt	11,015,563	18,963,077	29,978,640
Restricted for major facility fee	-	2,484,585	2,484,585
Unrestricted	8,227,410	1,282,168	9,509,578
Total net assets	\$ 19,242,973	\$ 22,729,830	\$ 41,972,803

See notes to financial statements

Town of La Plata, Maryland

Statement of Activities

Year ended June 30, 2012

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	\$ 1,653,132	\$ 166,298	\$ -	45,994	\$ (1,440,840)	\$ -	\$ (1,440,840)
Public safety	1,758,127	-	48,491	-	(1,709,636)	-	(1,709,636)
Public works	1,452,947	-	136,729	-	(1,316,218)	-	(1,316,218)
Parks, recreation and culture	497,839	1,968	-	5,532	(490,339)	-	(490,339)
Interest long-term debt	86,411	-	-	-	(86,411)	-	(86,411)
Total governmental activities	<u>5,448,456</u>	<u>168,266</u>	<u>185,220</u>	<u>51,526</u>	<u>(5,043,444)</u>	<u>-</u>	<u>(5,043,444)</u>
Business-type activities							
Water and sewer services	3,365,373	3,583,870	-	6,599,419	-	6,817,916	6,817,916
Sanitation and waste removal	911,996	1,112,318	-	-	-	200,322	200,322
Storm water management	54,563	48,732	-	38,586	-	32,755	32,755
Total business-type activities	<u>4,331,932</u>	<u>4,744,920</u>	<u>-</u>	<u>6,638,005</u>	<u>-</u>	<u>7,050,993</u>	<u>7,050,993</u>
Total primary government	<u>\$ 9,780,388</u>	<u>\$ 4,913,186</u>	<u>\$ 185,220</u>	<u>\$ 6,689,531</u>	<u>(5,043,444)</u>	<u>7,050,993</u>	<u>2,007,549</u>
General revenues							
Taxes							
Property					4,344,198	-	4,344,198
Income					1,132,252	-	1,132,252
Franchise fee					155,055	-	155,055
Investment earnings					48,382	13,696	62,078
Miscellaneous					108,352	-	108,352
Transfers					458,507	(458,507)	-
Total general revenues and transfers					<u>6,246,746</u>	<u>(444,811)</u>	<u>5,801,935</u>
Change in net assets					1,203,302	6,606,182	7,809,484
Net assets - beginning of year					18,039,671	16,123,648	34,163,319
Net assets - end of year					<u>\$ 19,242,973</u>	<u>\$ 22,729,830</u>	<u>\$ 41,972,803</u>

See notes to financial statements

Town of La Plata, Maryland

Balance Sheet - Governmental Funds

June 30, 2012

	General Fund	Nonmajor Governmental Funds	Total Government Funds
Assets			
Equity in pooled cash and cash equivalents	\$ 3,637,207	\$ 114,721	\$ 3,751,928
Investments, including accrued interest	5,458,262	-	5,458,262
Property taxes receivable	24,910	-	24,910
Due from other governments	118,684	45,994	164,678
Other receivables	47,015	-	47,015
Prepaid expenses	61,649	-	61,649
Other assets	5,050	-	5,050
	<u>\$ 9,352,777</u>	<u>\$ 160,715</u>	<u>\$ 9,513,492</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 171,792	\$ 145,633	\$ 317,425
Deposits	28,387	-	28,387
	<u>200,179</u>	<u>145,633</u>	<u>345,812</u>
Fund balances			
Nonspendable			
Prepaid expenses	61,649	-	61,649
Assigned			
Willow Lane	34,500	-	34,500
Park and Recreation Facilities	136,188	-	136,188
Transportation Improvements	390,178	-	390,178
Vehicle Replacement	803,245	-	803,245
Forest Conservation	8,774	-	8,774
Contingency	1,600,000	-	1,600,000
Public Education	-	15,082	15,082
Unassigned	6,118,064	-	6,118,064
	<u>9,152,598</u>	<u>15,082</u>	<u>9,167,680</u>
Total fund balance	<u>9,152,598</u>	<u>15,082</u>	<u>9,167,680</u>
Total liabilities and fund balance	<u>\$ 9,352,777</u>	<u>\$ 160,715</u>	<u>\$ 9,513,492</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, 2012

Total fund balances - governmental funds \$ 9,167,680

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	\$ 16,594,560	
Accumulated depreciation	<u>(4,294,551)</u>	12,300,009

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

20,634

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	(1,959,154)	
Accrued interest payable	(14,134)	
Notes payable	(67,174)	
Accumulated unused compensated absences	<u>(204,888)</u>	<u>(2,245,350)</u>

Total net assets - governmental activities \$ 19,242,973

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, 2012

	General Fund	Nonmajor Governmental Funds	Total Government Funds
Revenue			
Taxes	\$ 5,476,450	\$ -	\$ 5,476,450
Licenses and permits	294,289	-	294,289
Intergovernmental	185,220	51,526	236,746
Charges for services	29,032	-	29,032
Miscellaneous	86,967	-	86,967
Total revenue	6,071,958	51,526	6,123,484
Expenditures			
Current			
General government	1,563,275	-	1,563,275
Public safety	1,725,018	418	1,725,436
Public works	1,212,786	-	1,212,786
Parks, recreation and culture	532,909	-	532,909
Capital outlay	-	51,844	51,844
Debt service			
Principal reduction	262,520	-	262,520
Interest	86,983	-	86,983
Total expenditures	5,383,491	52,262	5,435,753
Excess (deficiency) of revenue over expenditures	688,467	(736)	687,731
Other financing sources			
Sale of capital assets	21,385	-	21,385
Investment earnings	48,382	-	48,382
Transfers in	458,507	-	458,507
Total other financing sources	528,274	-	528,274
Excess (deficiency) of revenue and other financing sources over expenditures and other financing sources	1,216,741	(736)	1,216,005
Fund balances at beginning of year	7,935,857	15,818	7,951,675
Fund balances at end of year	\$ 9,152,598	\$ 15,082	\$ 9,167,680

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, 2012

\$ 1,216,005

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	\$	312,844	
Depreciation		<u>(576,383)</u>	(263,539)

Repayment of loan principal is an expenditure in the general fund, but the repayment reduces noncurrent liabilities in the statement of net assets. 262,520

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. 572

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. (9,185)

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. (3,071)

Change in net assets of governmental activities \$ 1,203,302

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, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues				
Taxes	\$ 5,095,825	\$ 5,095,825	\$ 5,476,450	\$ 380,625
Licenses and permits	212,540	212,540	294,289	81,749
Intergovernmental	57,710	57,710	185,220	127,510
Service charges	19,490	19,490	29,032	9,542
Miscellaneous	25,500	136,500	156,734	20,234
Total revenues	<u>5,411,065</u>	<u>5,522,065</u>	<u>6,141,725</u>	<u>619,660</u>
Expenditures				
Current				
General government	1,719,375	1,830,375	1,563,275	267,100
Public safety	1,836,705	1,836,705	1,725,018	111,687
Public works	1,378,110	1,378,110	1,212,786	165,324
Parks, recreation and culture	624,665	665,790	532,909	132,881
Debt service	359,925	359,925	349,503	10,422
Total expenditures	<u>5,918,780</u>	<u>6,070,905</u>	<u>5,383,491</u>	<u>687,414</u>
Other financing sources				
Transfers in	<u>294,020</u>	<u>294,020</u>	<u>458,507</u>	<u>164,487</u>
Net change in fund balance	<u>\$ (213,695)</u>	<u>\$ (254,820)</u>	1,216,741	<u>\$ 1,471,561</u>
Fund balance at beginning of year			<u>7,935,857</u>	
Fund balance at end of year			<u>\$ 9,152,598</u>	

See notes to financial statements

Town of La Plata, Maryland
Statement of Net Assets - Proprietary Funds

June 30, 2012

	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	\$ 72,325	\$ 31,282	\$ -	\$ 103,607
Investments	1,758,960	363,156	104,502	2,226,618
Service charges receivable	993,146	291,344	13,293	1,297,783
Due from other governments	2,643,826	-	-	2,643,826
	<u>5,468,257</u>	<u>685,782</u>	<u>117,795</u>	<u>6,271,834</u>
Noncurrent assets				
Bond issuance costs - net of accumulated amortization	92,409	-	-	92,409
Capital assets				
Land	399,295	-	-	399,295
Buildings	13,330,851	-	-	13,330,851
Improvements	17,150	-	-	17,150
Infrastructure	17,078,457	-	25,095	17,103,552
Other equipment	1,328,952	117,078	2,138	1,448,168
Vehicles and mobile equipment	465,981	358,787	-	824,768
Construction-in-progress	7,954,088	-	-	7,954,088
	<u>40,574,774</u>	<u>475,865</u>	<u>27,233</u>	<u>41,077,872</u>
Less accumulated depreciation	<u>(11,822,152)</u>	<u>(252,246)</u>	<u>(1,586)</u>	<u>(12,075,984)</u>
	<u>28,752,622</u>	<u>223,619</u>	<u>25,647</u>	<u>29,001,888</u>
Total assets	<u><u>\$ 34,313,288</u></u>	<u><u>\$ 909,401</u></u>	<u><u>\$ 143,442</u></u>	<u><u>\$ 35,366,131</u></u>
Liabilities				
Current liabilities				
Accounts payable	\$ 2,174,841	\$ 81,703	\$ 5,918	\$ 2,262,462
Accrued liabilities	61,483	-	-	61,483
Revenue bonds payable	620,984	-	-	620,984
General obligation bonds payable	122,362	-	-	122,362
Compensated absences	939	964	-	1,903
Due to other governments	43,750	-	-	43,750
Noncurrent liabilities				
Revenue bonds payable	8,424,902	-	-	8,424,902
General obligation bonds payable	1,082,416	-	-	1,082,416
Compensated absences	12,924	3,115	-	16,039
Total liabilities	<u>12,544,601</u>	<u>85,782</u>	<u>5,918</u>	<u>12,636,301</u>
Net assets				
Invested in capital assets, net of related debt	18,713,811	223,619	25,647	18,963,077
Restricted				
Major facility fee	2,484,585	-	-	2,484,585
Unrestricted	570,291	600,000	111,877	1,282,168
Total net assets	<u>21,768,687</u>	<u>823,619</u>	<u>137,524</u>	<u>22,729,830</u>
Total liabilities and net assets	<u><u>\$ 34,313,288</u></u>	<u><u>\$ 909,401</u></u>	<u><u>\$ 143,442</u></u>	<u><u>\$ 35,366,131</u></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, 2012

	Business Type Activities - Enterprise Funds			Total Business-Type Activities
	Water and Sewer Fund	Sanitation Fund	Nonmajor Proprietary Fund	
Operating revenue				
Current use charges	\$ 3,545,081	\$ 1,085,522	\$ 48,732	\$ 4,679,335
Miscellaneous				
Water meters	15,460	-	-	15,460
Bulk water	2,326	-	-	2,326
Other	21,003	26,796	-	47,799
Total operating revenue	<u>3,583,870</u>	<u>1,112,318</u>	<u>48,732</u>	<u>4,744,920</u>
Operating expenses				
Salaries and payroll expense	383,346	195,196	-	578,542
Electricity	424,659	-	-	424,659
Repairs and maintenance of systems and equipment	202,619	4,897	-	207,516
Other operating expenses	1,263,639	686,984	53,726	2,004,349
Amortization	12,872	-	-	12,872
Depreciation	907,294	24,919	837	933,050
Total operating expenses	<u>3,194,429</u>	<u>911,996</u>	<u>54,563</u>	<u>4,160,988</u>
Operating income (loss)	<u>389,441</u>	<u>200,322</u>	<u>(5,831)</u>	<u>583,932</u>
Nonoperating revenue (expenses)				
Interest income	10,723	2,973	-	13,696
Interest charges	(170,944)	-	-	(170,944)
Grant proceeds	6,599,419	-	38,586	6,638,005
Total nonoperating revenue	<u>6,439,198</u>	<u>2,973</u>	<u>38,586</u>	<u>6,480,757</u>
Income before transfers	6,828,639	203,295	32,755	7,064,689
Transfers (out) in	<u>(292,119)</u>	<u>(202,438)</u>	<u>36,050</u>	<u>(458,507)</u>
Change in net assets	6,536,520	857	68,805	6,606,182
Net assets - beginning of year	<u>15,232,167</u>	<u>822,762</u>	<u>68,719</u>	<u>16,123,648</u>
Net assets - end of year	<u>\$ 21,768,687</u>	<u>\$ 823,619</u>	<u>\$ 137,524</u>	<u>\$ 22,729,830</u>

See notes to financial statements

Town of La Plata, Maryland

Statement of Cash Flows - Proprietary Funds

Year ended June 30, 2012

	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	\$ 3,571,011	\$ 1,110,976	\$ 47,944	\$ 4,729,931
Payments to employees	(384,778)	(197,383)	-	(582,161)
Payments to suppliers for goods and services	(492,395)	(691,560)	(58,077)	(1,242,032)
Net cash provided by (used in) operating activities	<u>2,693,838</u>	<u>222,033</u>	<u>(10,133)</u>	<u>2,905,738</u>
Cash flows from noncapital financing activities				
Transfers (out) in	(292,119)	(202,438)	36,050	(458,507)
Net cash provided by (used in) noncapital financing activities	<u>(292,119)</u>	<u>(202,438)</u>	<u>36,050</u>	<u>(458,507)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(7,262,987)	(100,675)	(25,095)	(7,388,757)
Principal paid on bonds	(713,813)	-	-	(713,813)
Proceeds from bonds payable	718,873	-	-	718,873
Payment of bond issuance costs	(7,190)	-	-	(7,190)
Grant proceeds received	3,955,593	-	38,586	3,994,179
Interest paid on bonds	(168,408)	-	-	(168,408)
Net cash provided by (used in) capital and related financing activities	<u>(3,477,932)</u>	<u>(100,675)</u>	<u>13,491</u>	<u>(3,565,116)</u>
Cash flows from investing activities				
Withdrawals (deposits) made for investments	1,069,954	99,995	(40,654)	1,129,295
Interest earned	10,723	2,973	-	13,696
Net cash provided by (used in) investing activities	<u>1,080,677</u>	<u>102,968</u>	<u>(40,654)</u>	<u>1,142,991</u>
Net increase (decrease) in cash and cash equivalents	4,464	21,888	(1,246)	25,106
Cash and cash equivalents, beginning of year	<u>67,861</u>	<u>9,394</u>	<u>1,246</u>	<u>78,501</u>
Cash and cash equivalents, end of year	<u>\$ 72,325</u>	<u>\$ 31,282</u>	<u>\$ -</u>	<u>\$ 103,607</u>

(continued)

Town of La Plata, Maryland

Statement of Cash Flows - Proprietary Funds - Continued

Year ended June 30, 2012

	Business Type Activities - Enterprise Funds			Total Business-Type Activities
	Water and Sewer Fund	Sanitation Fund	Nonmajor Proprietary Fund	
Operating income (loss)	\$ 389,441	\$ 200,322	\$ (5,831)	\$ 583,932
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	907,294	24,919	837	933,050
Amortization	12,872	-	-	12,872
Changes in assets and liabilities				
Accounts receivable	(12,859)	(1,342)	(788)	(14,989)
Accounts payable	1,354,772	321	(4,351)	1,350,742
Due to other government	43,750	-	-	43,750
Compensated absences	(1,432)	(2,187)	-	(3,619)
Net cash provided by (used in) operating activities	<u>\$ 2,693,838</u>	<u>\$ 222,033</u>	<u>\$ (10,133)</u>	<u>\$ 2,905,738</u>

Supplemental disclosure of noncash capital financing activities:

Grant proceeds earned but not received for allowable expenditures incurred were \$2,643,826.

See notes to financial statements

Town of La Plata, Maryland
Notes to Financial Statements

June 30, 2012

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.

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

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

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.

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

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

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.

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

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

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,

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

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 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. As of June 30, 2012, the allowance for uncollectible accounts totaled \$20,751.

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.

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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.

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

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

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 noninterest-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.

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, 2012, 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

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

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 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 Governmental Accounting Standards Board Standards

GASB has issued the pronouncements noted below, prior to the year ended June 30, 2012, the implementation of which will impact the financial statements of the Town:

- GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

Pronouncements,” will be effective for the Town beginning with its year ending June 30, 2013. This statement is designed to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

- GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” will be effective for the Town beginning with its year ending June 30, 2013. This statement is designed to improve financial reporting by providing guidance for deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.
- GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities,” will be effective for the Town beginning with its year ending June 30, 2014. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In addition, this statement amends or supersedes requirements for the determination of major funds and addresses other statement of net position and governmental funds balance sheet presentation issues.

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 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, 2012, all of the Town’s certificates of deposit had a maturity of one year or less.

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

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, 2012, 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.

Additionally, in accordance with reporting requirements of GASB Statement No. 40, the Town does not have any interest rate risk associated with investments. Investments in the MLGIP and certificate of deposits are priced on a daily basis, with funds availability also on a daily basis. It should also be noted that the Town does not have any foreign currency risk associated with any investments.

Note 3 - Interfund Transfers

Interfund transfers for the year ended June 30, 2012, 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 \$458,507.

Note 4 - Bond Issuance Costs

Issuance costs on bonds payable consists of the following at June 30, 2012:

	Balance June 30, 2011	Additions	Amortization	Balance June 30, 2012
Governmental activities	\$ 23,705	\$ -	\$ (3,071)	\$ 20,634
Business-type activities	98,091	7,190	(12,872)	92,409
	<u>\$ 121,796</u>	<u>\$ 7,190</u>	<u>\$ (15,943)</u>	<u>\$ 113,043</u>

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

Note 5 - Capital Assets

A summary of changes in governmental activities capital assets for the year ended June 30, 2012 is as follows:

Asset Class	Balance June 30, 2011	Additions	Disposals	Balance June 30, 2012
Capital assets not being depreciated				
Land	\$ 3,683,801	\$ -	\$ -	\$ 3,683,801
Construction in progress	223,409	70,830	(223,409)	70,830
Total capital assets not being depreciated	3,907,210	70,830	(223,409)	3,754,631
Capital assets being depreciated				
Buildings	6,176,924	227,853	-	6,404,777
Improvements other than buildings	638,631	24,420	-	663,051
Infrastructure	3,809,605	13,018	-	3,822,623
Other equipment	432,894	18,684	-	451,578
Vehicles and mobile equipment	1,427,869	181,448	(111,417)	1,497,900
Total capital assets being depreciated	12,485,923	465,423	(111,417)	12,839,929
Accumulated depreciation for:				
Buildings	(1,068,329)	(164,181)	-	(1,232,510)
Improvements other than buildings	(235,216)	(39,702)	-	(274,918)
Infrastructure	(1,102,823)	(205,773)	-	(1,308,596)
Other equipment	(326,050)	(40,077)	-	(366,127)
Vehicles and mobile equipment	(1,097,167)	(126,650)	111,417	(1,112,400)
Total accumulated depreciation	(3,829,585)	(576,383)	111,417	(4,294,551)
Total capital assets, being depreciated, net	8,656,338	(110,960)	(222,834)	8,545,378
Governmental capital assets, net	\$ 12,563,548	\$ (40,130)	\$ (446,243)	\$ 12,300,009

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

A summary of changes in business-type activities capital assets for the year ended June 30, 2012 is as follows:

Asset Class	Balance June 30, 2011	Additions	Disposals	Balance June 30, 2012
Capital assets not being depreciated				
Land	\$ 399,295	\$ -	\$ -	\$ 399,295
Construction in progress	712,725	7,241,363	-	7,954,088
Total capital assets not being depreciated	1,112,020	7,241,363	-	8,353,383
Capital assets being depreciated				
Buildings	13,330,851	-	-	13,330,851
Infrastructure	17,056,833	46,719	-	17,103,552
Improvements other than buildings	17,150	-	-	17,150
Other equipment	1,347,493	100,675	-	1,448,168
Vehicles and mobile equipment	878,268	-	(53,500)	824,768
Total capital assets being depreciated	32,630,595	147,394	(53,500)	32,724,489
Accumulated depreciation for:				
Buildings	(5,042,161)	(365,777)	-	(5,407,938)
Infrastructure	(4,293,619)	(492,050)	-	(4,785,669)
Improvements other than buildings	(4,856)	(700)	-	(5,556)
Other equipment	(1,251,042)	(34,389)	-	(1,285,431)
Vehicles and mobile equipment	(604,756)	(40,134)	53,500	(591,390)
Total accumulated depreciation	(11,196,434)	(933,050)	53,500	(12,075,984)
Total capital assets, being depreciated, net	21,434,161	(785,656)	-	20,648,505
Business-type capital assets, net	\$ 22,546,181	\$ 6,455,707	\$ -	\$ 29,001,888

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

Depreciation expense was charged in the statement of activities for the year ended June 30, 2012 as follows:

Governmental Activities	
General government	\$ 117,960
Public safety	146,839
Public works	280,547
Parks, recreation and culture	<u>31,037</u>
	<u>\$ 576,383</u>
Business-type activities	
Water and sewer fund	\$ 907,294
Sanitation fund	24,919
Nonmajor proprietary fund	<u>837</u>
	<u>\$ 933,050</u>

Note 6 - Long-Term Liabilities

Long-term liability activity as of and for the year ended June 30, 2012, is as follows:

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
Governmental activities					
General obligation bonds	\$ 2,161,073	\$ -	\$ (201,919)	\$ 1,959,154	\$ 205,803
Notes payable	127,775	-	(60,601)	67,174	47,174
Compensated absences	195,703	28,241	(19,056)	204,888	21,476
	<u>\$ 2,484,551</u>	<u>\$ 28,241</u>	<u>\$ (281,576)</u>	<u>\$ 2,231,216</u>	<u>\$ 274,453</u>
Business-type activities					
Revenue bonds	\$ 8,921,652	\$ 718,873	\$ (594,639)	\$ 9,045,886	\$ 620,984
General obligation bonds	1,323,952	-	(119,174)	1,204,778	122,362
Compensated absences	21,561	-	(3,619)	17,942	1,903
	<u>\$ 10,267,165</u>	<u>\$ 718,873</u>	<u>\$ (717,432)</u>	<u>\$ 10,268,606</u>	<u>\$ 745,249</u>

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

General obligation bonds payable relating to governmental activities at June 30, 2012 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.	\$ 741,884
Town of La Plata, Community Development Administration Infrastructure Financing Bond 2006 Series A; authorized amount \$315,510; interest at varying rates not to exceed 4.15% payable semiannually. Principal serially redeemed through June 1, 2016.	140,338
Town of La Plata, Community Development Administration Infrastructure Financing Bond 2006 Series A; authorized amount \$1,390,189, interest at varying rates not to exceed 4.40% payable semiannually. Principal serially redeemed through June 1, 2026.	<u>1,076,932</u>
	<u>\$ 1,959,154</u>

Notes payable relating to governmental activities at June 30, 2012 consists of the following:

Note payable with fire house, noninterest bearing, payable in annual installments of \$2,000 through June 2023.	\$ 22,000
Note payable with bank, unsecured, interest rate 3.1%, payable in quarterly installments of principal and interest of \$15,297 through March 2013.	<u>45,174</u>
	<u>\$ 67,174</u>

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

A schedule of maturities of the general obligation bonds payable and notes payable relating to governmental activities as of June 30, 2012 is as follows:

	Principal	Interest	Total
June 30, 2013	\$ 252,977	\$ 77,776	\$ 330,753
2014	211,846	69,136	280,982
2015	215,679	61,044	276,723
2016	219,433	52,792	272,225
2017	184,860	44,386	229,246
2018 - 2022	568,821	117,002	685,823
2023 - 2026	372,712	40,918	413,630
	\$ 2,026,328	\$ 463,054	\$ 2,489,382

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, 2012 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. \$ 753,698

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. All of the costs associated with the bond are to be paid from revenue sources generated from a special tax district. 3,505,074

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. 4,366,264

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

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. 323,163

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. 97,687

Town of La Plata, Maryland Drinking Water Bond, Series 2011B; authorized amount \$500,000. Pursuant to the terms of the loan agreement the lender shall forgive repayment of principal and interest so long as the borrower performs all required obligations. As of June 30, 2012, \$97,687 of funds have been advanced, all of which have been forgiven by the lender. -

\$ 9,045,886

General obligation bonds payable relating to business-type activities at June 30, 2012 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. \$ 211,448

Town of La Plata, Community Development Administration Infrastructure Financing Bond 2006 Series A; authorized amount \$444,390; interest at varying rates not to exceed 4.15% payable in semiannual payments of principal and interest. Principal serially redeemed through June 1, 2016. 197,662

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

Town of La Plata, Community Development Administration Infrastructure Financing Bond 2006 Series A; authorized amount \$1,027,111; interest at varying rates not to exceed 4.40% payable in semiannual payments of principal and interest. Principal serially redeemed through June 1, 2026.

795,668
\$ 1,204,778

A schedule of maturities of the revenue bonds payable and general obligation bonds payable relating to business-type activities as of June 30, 2012 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2013	\$ 743,346	\$ 126,937	\$ 870,283
2014	736,691	118,654	855,345
2015	768,552	108,823	877,375
2016	774,832	104,212	879,044
2017	733,425	93,009	826,434
2018 - 2022	3,725,580	329,846	4,055,426
2023 - 2033	<u>2,768,238</u>	<u>156,965</u>	<u>2,925,203</u>
	<u>\$ 10,250,664</u>	<u>\$ 1,038,446</u>	<u>\$ 11,289,110</u>

Note 7 - Due to Other Governments

During the year ended June 30, 2012, the Town entered into an agreement with the State of Maryland Department of the Environment providing for the Town to pay a compliance assessment in the amount of \$50,000. The assessment is noninterest bearing and payable in eight quarterly installments of \$6,250. As of June 30, 2012, \$43,750 remains payable.

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

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

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 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.

Annual Pension Cost

The Town's contributions totaling \$182,364, or 7.4 percent of covered payroll, for the period July 1, 2011 through June 30, 2012, were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2011. 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

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 4.50 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, 2002 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, 2010	\$ 177,315	\$ 177,315	100%	\$ -
June 30, 2011	\$ 183,845	\$ 183,845	100%	\$ -
June 30, 2012	\$ 182,364	\$ 182,364	100%	\$ -

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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.

Town of La Plata, Maryland

Notes to Financial Statements - Continued

June 30, 2012

Note 11 - 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.

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 12 - 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 5, 2012 (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, 2012

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, 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%
June 30, 2011	\$ 36,177,656	\$ 55,917,543	\$ 19,739,887	64.70%	\$ 10,478,800	188%

Supplementary Information

Town of La Plata, Maryland

Schedule of Revenues - Budget and Actual - General Fund

Year ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Taxes				
Local property taxes				
Real property	\$ 3,900,730	\$ 3,900,730	\$ 4,056,419	\$ 155,689
Personal property	158,260	158,260	191,432	33,172
Railroads and public utilities	51,525	51,525	90,142	38,617
Penalties and interest	10,900	10,900	11,338	438
Income tax	971,910	971,910	1,127,119	155,209
Total taxes	5,093,325	5,093,325	5,476,450	383,125
Licenses and permits				
Traders	18,540	18,540	32,743	14,203
Construction permits	44,000	44,000	106,491	62,491
Franchise	150,000	150,000	155,055	5,055
Total licenses and permits	212,540	212,540	294,289	81,749
Service charges				
Rental inspection fees	15,840	15,840	18,200	2,360
Annexation applications	500	500	1,250	750
Other	3,150	3,150	9,582	6,432
Total service charges	19,490	19,490	29,032	9,542
Intergovernmental				
State Police Aid	40,000	40,000	48,491	8,491
Highway	17,710	17,710	125,855	108,145
Other	-	-	10,874	10,874
Total intergovernmental	57,710	57,710	185,220	127,510
Miscellaneous				
Fines and forfeitures	2,500	2,500	3,515	1,015
Investment earnings	2,000	2,000	48,385	46,385
Miscellaneous	1,000	112,000	76,730	(35,270)
Admission and amusement	2,500	2,500	2,382	(118)
Rents and concessions	20,000	20,000	25,722	5,722
Total miscellaneous	28,000	139,000	156,734	17,734
Total revenues	\$ 5,411,065	\$ 5,522,065	\$ 6,141,725	\$ 619,660

Town of La Plata, Maryland

Schedule of Expenditures - Budget and Actual - General Fund

Year ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
General government				
Legislative	\$ 199,150	\$ 199,150	\$ 200,978	\$ (1,828)
Administration				
Salaries	348,185	348,185	302,886	45,299
Operating expenses	48,750	48,750	42,245	6,505
Capital outlay	2,000	2,000	2,971	(971)
	<u>398,935</u>	<u>398,935</u>	<u>348,102</u>	<u>50,833</u>
Financial administration				
Salaries	413,420	413,420	426,403	(12,983)
Operating expenses	71,325	71,325	59,688	11,637
	<u>484,745</u>	<u>484,745</u>	<u>486,091</u>	<u>(1,346)</u>
Law				
Operating expenses	60,000	60,000	18,075	41,925
Planning and zoning				
Salaries	247,425	247,425	190,262	57,163
Operating expenses	35,825	146,825	150,519	(3,694)
	<u>283,250</u>	<u>394,250</u>	<u>340,781</u>	<u>53,469</u>
Information technology				
Salaries	8,575	8,575	8,933	(358)
Operating expenses	75,750	75,750	50,325	25,425
Capital outlay	19,100	19,100	17,097	2,003
	<u>103,425</u>	<u>103,425</u>	<u>76,355</u>	<u>27,070</u>
Other general government				
HR/personnel	20,050	20,050	14,745	5,305
Operating expenses	169,820	169,820	78,148	91,672
	<u>189,870</u>	<u>189,870</u>	<u>92,893</u>	<u>96,977</u>
Total general government	<u>1,719,375</u>	<u>1,830,375</u>	<u>1,563,275</u>	<u>267,100</u>

Town of La Plata, Maryland

Schedule of Expenditures - Budget and Actual - General Fund - Continued

Year ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Public safety				
Police Department				
Salaries	1,337,990	1,337,990	1,273,971	64,019
Operating expenses	147,160	147,160	172,223	(25,063)
Capital outlay	159,500	159,500	131,905	27,595
	<u>1,644,650</u>	<u>1,644,650</u>	<u>1,578,099</u>	<u>66,551</u>
Emergency preparedness				
Operating expenses	8,900	8,900	8,640	260
Inspections and enforcement				
Salaries	154,015	154,015	99,813	54,202
Operating expenses	29,140	29,140	38,466	(9,326)
	<u>183,155</u>	<u>183,155</u>	<u>138,279</u>	<u>44,876</u>
Total public safety	<u>1,836,705</u>	<u>1,836,705</u>	<u>1,725,018</u>	<u>111,687</u>
Public works				
Public works administration				
Salaries	410,700	410,700	417,667	(6,967)
Operating expenses	108,290	108,290	115,661	(7,371)
	<u>518,990</u>	<u>518,990</u>	<u>533,328</u>	<u>(14,338)</u>
Maintenance operations				
Salaries	191,700	191,700	167,713	23,987
Operating expenses	230,960	230,960	184,501	46,459
	<u>422,660</u>	<u>422,660</u>	<u>352,214</u>	<u>70,446</u>
Streets				
Salaries	81,790	81,790	67,797	13,993
Operating expenses	283,170	283,170	233,456	49,714
Capital outlay	71,500	71,500	25,991	45,509
	<u>436,460</u>	<u>436,460</u>	<u>327,244</u>	<u>109,216</u>
Total public works	<u>1,378,110</u>	<u>1,378,110</u>	<u>1,212,786</u>	<u>165,324</u>

Town of La Plata, Maryland

Schedule of Expenditures - Budget and Actual - General Fund - Continued

Year ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Parks, recreation and culture				
Park maintenance and recreation				
Salaries	142,830	142,830	145,724	(2,894)
Operating expenses	74,030	74,030	45,913	28,117
Capital outlay	128,100	128,100	78,158	49,942
	<u>344,960</u>	<u>344,960</u>	<u>269,795</u>	<u>75,165</u>
Community promotion				
Salaries	88,970	88,970	80,591	8,379
Operating expenses	190,735	231,860	182,523	49,337
	<u>279,705</u>	<u>320,830</u>	<u>263,114</u>	<u>57,716</u>
Total parks, recreation and culture	<u>624,665</u>	<u>665,790</u>	<u>532,909</u>	<u>132,881</u>
Debt service	<u>359,925</u>	<u>359,925</u>	<u>349,503</u>	<u>10,422</u>
Total expenditures	<u>\$ 5,918,780</u>	<u>\$ 6,070,905</u>	<u>\$ 5,383,491</u>	<u>\$ 687,414</u>