

THE TOWN OF POOLESVILLE, MARYLAND
BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

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RAGER, LEHMAN & HOUCK, P.C.
Opportunity Innovation Excellence

INDEPENDENT AUDITORS' REPORT

October 28, 2015

The Commissioners of Poolesville
The Town of Poolesville, Maryland
Poolesville, Maryland

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of The Town of Poolesville, Maryland (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of The Town of Poolesville, Maryland, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 47 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.

Rager, Lehman & Houck, P.C.

Frederick, Maryland

THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

This discussion and analysis of The Town of Poolesville, Maryland's (the "Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements. The emphasis or discussion about these statements will be on current year data.

Financial Highlights

1. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$36,686,159. Of this amount, \$2,103,724 may be used to meet the Town's ongoing obligations to citizens and creditors.
2. The Town's total net position increased by \$1,372,501, which was primarily a result of contributed infrastructure of \$1,715,756 and \$414,076 from developers in the governmental and business type activities, respectively.
3. As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,773,398, a decrease of \$364,862 in comparison to the prior year. \$1,624,754 is considered spendable and unrestricted, \$340,563 of which is unassigned and is available for spending at the Town's discretion.
4. The Town's total bonded debt increased by \$1,226,580 during the current fiscal year. The Town borrowed \$1,470,038 from the State of Maryland for a relining project in Westerly subdivision.
5. The Town sold two tracts of land for \$190,694 in the Water and Sewer Fund

Overview of the 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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

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 a private-sector business.

THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

The statement of net position presents information on all the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other factors to consider are discussed later in this report.

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 governmental activities of the Town include general government, public safety, public works, parks and recreation, and community development. The business-type activities of the Town include water and sewer operations.

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 on near-term inflow 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 governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect 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 governmental funds and governmental activities.

The Town maintains one governmental fund, which is the General Fund.

The Town adopts an annual appropriated budget for its General and Water and Sewer Funds. A budgetary comparison statement for the General Fund has been provided to demonstrate

THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

compliance with the budget and can be found in the financial statements as required supplementary information.

Proprietary Funds. The Town maintains one type of proprietary fund: the enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The Town uses enterprise funds to account for its water distribution and sanitary sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to Basic 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.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$36,686,159 at the close of the most recent fiscal year.

By far, the largest portion of the Town's net position (93%) reflects its investment in capital assets (e.g. land, buildings, equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its 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.

**THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED**

The following analysis focuses on the net position and changes in net position of the Town's governmental and business type activities:

**CONDENSED STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets						
Current and Other Assets	\$ 1,971,224	\$ 2,276,109	\$ 1,076,728	\$ 156,729	\$ 3,047,952	\$ 2,432,838
Capital Assets, Net	<u>16,251,197</u>	<u>14,922,756</u>	<u>21,032,154</u>	<u>20,988,824</u>	<u>37,283,351</u>	<u>35,911,580</u>
Total Assets	<u>18,222,421</u>	<u>17,198,865</u>	<u>22,108,882</u>	<u>21,145,553</u>	<u>40,331,303</u>	<u>38,344,418</u>
Liabilities						
Current Liabilities	85,541	67,481	442,266	1,018,380	527,807	1,085,861
Non-Current Liabilities	<u>88,490</u>	<u>70,368</u>	<u>3,028,847</u>	<u>1,874,531</u>	<u>3,117,337</u>	<u>1,944,899</u>
Total Liabilities	<u>174,031</u>	<u>137,849</u>	<u>3,471,113</u>	<u>2,892,911</u>	<u>3,645,144</u>	<u>3,030,760</u>
Net Position						
Net Investment in Capital						
Assets	16,251,197	14,922,756	17,756,207	18,939,457	34,007,404	33,862,213
Restricted	148,644	199,029	426,387	337,838	575,031	536,867
Unrestricted (Deficit)	<u>1,648,549</u>	<u>1,939,231</u>	<u>455,175</u>	<u>(1,024,653)</u>	<u>2,103,724</u>	<u>914,578</u>
Total Net Position	<u>\$ 18,048,390</u>	<u>\$ 17,061,016</u>	<u>\$ 18,637,769</u>	<u>\$ 18,252,642</u>	<u>\$ 36,686,159</u>	<u>\$ 35,313,658</u>

**THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED**

**CONDENSED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	Governmental		Business-Type		Total	
	Activities		Activities		Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 160,411	\$ 210,682	\$ 1,312,949	\$ 1,312,796	\$ 1,473,360	\$ 1,523,478
Operating Grants and Contributions	149,082	141,063	0	0	149,082	141,063
Capital Grants and Contributions	1,800,971	1,514,637	434,076	1,097,270	2,235,047	2,611,907
<i>General Revenues</i>						
Taxes	2,352,087	2,239,356	0	0	2,352,087	2,239,356
Grants, Contributions, and Franchise Fees - Unrestricted	269,791	266,329	0	0	269,791	266,329
Interest Income and Rents	182,359	182,532	5,374	5,419	187,733	187,951
Miscellaneous	<u>10,604</u>	<u>159,292</u>	<u>201,097</u>	<u>7,023</u>	<u>211,701</u>	<u>166,315</u>
Total Revenues	<u>4,925,305</u>	<u>4,713,891</u>	<u>1,953,496</u>	<u>2,422,508</u>	<u>6,878,801</u>	<u>7,136,399</u>
Expenses						
General Government	1,152,968	991,612	0	0	1,152,968	991,612
Public Safety	45,933	41,177	0	0	45,933	41,177
Public Works, Recreation, and Parks	1,995,773	1,896,758	0	0	1,995,773	1,896,758
Water and Sewer Services	<u>0</u>	<u>0</u>	<u>2,311,626</u>	<u>2,204,111</u>	<u>2,311,626</u>	<u>2,204,111</u>
Total Expenses	<u>3,194,674</u>	<u>2,929,547</u>	<u>2,311,626</u>	<u>2,204,111</u>	<u>5,506,300</u>	<u>5,133,658</u>
Excess (Deficiency) Before Transfers	1,730,631	1,784,344	(358,130)	218,397	1,372,501	2,002,741
Transfers	<u>(743,257)</u>	<u>(539,768)</u>	<u>743,257</u>	<u>539,768</u>	<u>0</u>	<u>0</u>
Changes in Net Position	<u>\$ 987,374</u>	<u>\$ 1,244,576</u>	<u>\$ 385,127</u>	<u>\$ 758,165</u>	<u>\$ 1,372,501</u>	<u>\$ 2,002,741</u>

The Town has sufficient funds to meet requirements for cash outflows for the next fiscal year as well as capital improvements in governmental activities, and will utilize interfund transfers between activities as needed. At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position in the governmental activities and in the business-type activities.

Governmental Activities. Governmental activities increased the Town's net position by \$987,374. The increase is primarily related to net investments in capital assets that were contributed related to the Kettler and Winchester developments.

Business-Type Activities. Business-type activities increased the Town's net position by \$385,127. The water and sewer fund charges for services do not cover the cost of operations.

THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

As a result the general fund transferred \$743,257 to assist with capital improvements, debt service, and payroll requirements. In addition, the \$414,076 of contributed capital assets also increased the net position.

Governmental Funds Financial Analysis

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds. The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's General Fund reported an ending fund balance of \$1,773,398, a decrease of \$364,862 in comparison with the prior year. 92% (\$1,624,754) of this total amount constitutes spendable, unrestricted fund balances, \$1,284,191 of which has been assigned by the Town (as discussed in the financial statement notes) and \$340,563 of which is available for spending at the Town's discretion. As a measure of the General Fund's liquidity, it may be useful to compare spendable, unrestricted fund balances to total fund expenditures.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise fund at the end of the year amounted to \$455,175. The enterprise fund had an increase in net position for the year of \$385,127. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

During the year, General Fund revenues and expenditures differences from budgetary estimates resulted in a positive variance in fund balance of \$865,351 after net transfers. The figures outlined in the budget will differ from the actual figures due to the fact that the figures in the budget are our best guess estimates. Many of our revenue streams will vary upon interest rates, income variables, grants, utility usage and County policies. The same structure is apparent on the expenditure side.

**THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED**

The following is discussion regarding some of the more significant differences between the Town's final budget and actual results:

Overall, revenue streams were down slightly by \$21,425. In total expenditures were very close to the budgeted estimates with fluctuation of public works expenditures exceeding budget by \$490,113 while capital outlay expenditures were below budget by \$490,315.

The budgetary comparison schedule can be found in the financial statements' required supplementary information.

Capital Asset and Debt Administration

Capital Assets. The Town's capital assets (property and equipment) for its governmental and business-type activities as of June 30, 2015, amounted to \$37,283,351 (net of accumulated depreciation). These capital assets include land, buildings, water/sewer system improvements, machinery and equipment, park facilities, and vehicles. The total net increase in the Town's capital assets for the current fiscal year was \$1,371,771, as further detailed in the notes to the financial statements.

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

	<u>Amount</u>
Elgin Park Improvements	\$ 826,000
Kettler paving, grading, and storm drains	\$ 700,000
Kettler streetlights and landscaping	\$ 185,000
Kettler water and sewer	\$ 414,000
Westerly Inflow & Infiltration	\$ 420,000

Additional information on the Town's capital assets can be found in the financial statements and related notes.

**THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED**

Outstanding Debt as of June 30, 2015.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
General Obligation Bonds	<u>\$ -0-</u>	<u>\$ 3,275,947</u>	<u>\$ 3,275,947</u>

Additional information on the Town's long-term debt can be found in the financial statements and related notes.

Economic Factors, Next Year's Budgets and Rates

The following factors were considered in preparing the Town's budget for the 2015-16 fiscal year:

1. Population will increase slightly with some new growth expected.
2. The current tax rate, which maintains a constant tax rate, is \$0.17 per \$100.00 assessed valuation.
3. Many of the operational accounts funding remained constant with only a few increases.
4. Increased funding in salaries and benefits due to additional staffing.

Request for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to The Town of Poolesville, P.O. Box 158, Poolesville, MD 20837.

BASIC FINANCIAL STATEMENTS

THE TOWN OF POOLESVILLE, MARYLAND

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Pooled Cash and Cash Equivalents			
Unrestricted	\$ -	\$ 242,267	\$ 242,267
Restricted	-	289,379	289,379
Non-Pooled Cash and Cash Equivalents	127,191	10,120	137,311
Accounts Receivable	41,894	91,388	133,282
Taxes Receivable	145,131	-	145,131
Grants Receivable	7,610	-	7,610
Pooled Investments	1,488,185	-	1,488,185
Pooled Investments - Restricted	63,130	-	63,130
Due from Other Governments	10,846	-	10,846
Unbilled Services	-	272,862	272,862
Inventory	-	24,750	24,750
Current Portion of Note Receivable	-	902	902
TOTAL CURRENT ASSETS	<u>1,883,987</u>	<u>931,668</u>	<u>2,815,655</u>
NON-CURRENT ASSETS			
Pooled Cash and Cash Equivalents - Restricted	-	137,008	137,008
Note Receivable	-	8,052	8,052
Pooled Investments - Restricted	87,237	-	87,237
Property and Equipment			
Construction in Progress	31,414	338,675	370,089
Land and Land Rights	2,600,931	119,429	2,720,360
Buildings and Improvements	5,675,783	-	5,675,783
Equipment	1,432,856	711,321	2,144,177
Infrastructure	16,192,820	35,070,639	51,263,459
Vehicles	384,956	124,278	509,234
	<u>26,318,760</u>	<u>36,364,342</u>	<u>62,683,102</u>
Less: Accumulated Depreciation	10,067,563	15,332,188	25,399,751
Net Property and Equipment	<u>16,251,197</u>	<u>21,032,154</u>	<u>37,283,351</u>
TOTAL NON-CURRENT ASSETS	<u>16,338,434</u>	<u>21,177,214</u>	<u>37,515,648</u>
TOTAL ASSETS	<u>18,222,421</u>	<u>22,108,882</u>	<u>40,331,303</u>
DEFERRED OUTFLOWS OF RESOURCES	-	-	-

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	83,818	175,768	259,586
Accrued Interest Payable	-	19,398	19,398
Current Portion of Bonds Payable	-	247,100	247,100
Payable from Restricted Assets:			
Accounts Payable	1,723	-	1,723
TOTAL CURRENT LIABILITIES	85,541	442,266	527,807
NON-CURRENT LIABILITIES			
Accounts Payable	88,490	-	88,490
Bonds Payable	-	3,028,847	3,028,847
TOTAL NON-CURRENT LIABILITIES	88,490	3,028,847	3,117,337
TOTAL LIABILITIES	174,031	3,471,113	3,645,144
 DEFERRED INFLOWS OF RESOURCES	 -	 -	 -
 NET POSITION			
Net Investment in Capital Assets	16,251,197	17,756,207	34,007,404
Restricted	148,644	426,387	575,031
Unrestricted	1,648,549	455,175	2,103,724
TOTAL NET POSITION	\$ 18,048,390	\$ 18,637,769	\$ 36,686,159

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 1,152,968	\$ 38,625	\$ -	\$ -	\$ (1,114,343)	\$ -	\$ (1,114,343)
Public Safety	45,933	-	-	25,883	(20,050)	-	(20,050)
Public Works, Recreation, and Parks	1,995,773	121,786	149,082	1,775,088	50,183	-	50,183
Total Governmental Activities	3,194,674	160,411	149,082	1,800,971	(1,084,210)	-	(1,084,210)
Business-Type Activities							
Water and Sewer Services	2,311,626	1,312,949	-	434,076	-	(564,601)	(564,601)
Total Business-Type Activities	2,311,626	1,312,949	-	434,076	-	(564,601)	(564,601)
TOTAL PRIMARY GOVERNMENT	\$ 5,506,300	\$ 1,473,360	\$ 149,082	\$ 2,235,047	(1,084,210)	(564,601)	(1,648,811)
GENERAL REVENUES							
Taxes							
Income Taxes					1,081,711	-	1,081,711
Real Estate Taxes					1,202,347	-	1,202,347
Personal Property Taxes					67,307	-	67,307
Other Taxes					722	-	722
Grants, Contributions, and Franchise Fees Not Restricted to Specific Programs					269,791	-	269,791
Interest Income and Rents					182,359	5,374	187,733
Net Transfers					(743,257)	743,257	-
Miscellaneous					10,604	201,097	211,701
TOTAL GENERAL REVENUES					2,071,584	949,728	3,021,312
CHANGES IN NET POSITION					987,374	385,127	1,372,501
Net Position - Beginning of Year					17,061,016	18,252,642	35,313,658
NET POSITION - END OF YEAR					\$ 18,048,390	\$ 18,637,769	\$ 36,686,159

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Non-Pooled Cash and Cash Equivalents	\$ 127,191	\$ 127,191
Pooled Investments	1,488,185	1,488,185
Pooled Investments - Restricted	150,367	150,367
Accounts Receivable	41,894	41,894
Taxes Receivable	145,131	145,131
Grants Receivable	7,610	7,610
Due from Other Governments	10,846	10,846
TOTAL ASSETS	<u>1,971,224</u>	<u>1,971,224</u>
DEFERRED OUTFLOWS OF RESOURCES		
	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,971,224</u>	<u>\$ 1,971,224</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable and Accrued Expenses Payable from Restricted Assets	\$ 172,308	\$ 172,308
Accounts Payable and Accrued Expenses	1,723	1,723
TOTAL LIABILITIES	<u>174,031</u>	<u>174,031</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenues	23,795	23,795
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>23,795</u>	<u>23,795</u>
FUND BALANCES		
Restricted	148,644	148,644
Assigned	1,284,191	1,284,191
Unassigned	340,563	340,563
TOTAL FUND BALANCES	<u>1,773,398</u>	<u>1,773,398</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,971,224</u>	<u>\$ 1,971,224</u>

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 1,773,398**

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

Property tax revenues are recognized in the period for which levied rather than when "available." A portion of the property tax revenues are not available and therefore are not reported in the fund financial statements. 23,795

Capital assets used in governmental activities are not available financial resources and, therefore, are not reported in the fund financial statements. 16,251,197

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 18,048,390**

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Total Governmental Funds
REVENUES		
Taxes	\$ 2,327,570	\$ 2,327,570
Intergovernmental	445,653	445,653
Charges for Services	138,040	138,040
Licenses and Permits	81,528	81,528
Interest Income and Rents	182,359	182,359
Miscellaneous	10,604	10,604
TOTAL REVENUES	3,185,754	3,185,754
 EXPENDITURES		
General Government	1,373,329	1,373,329
Public Safety	26,466	26,466
Public Works	1,107,171	1,107,171
Recreation and Parks	47,374	47,374
Capital Outlays	253,019	253,019
TOTAL EXPENDITURES	2,807,359	2,807,359
 EXCESS OF REVENUES OVER EXPENDITURES	 378,395	 378,395
 OTHER FINANCING USES		
Net Transfers	(743,257)	(743,257)
TOTAL OTHER FINANCING USES	(743,257)	(743,257)
 NET CHANGES IN FUND BALANCES	 (364,862)	 (364,862)
Fund Balances - Beginning of Year	2,138,260	2,138,260
FUND BALANCES - END OF YEAR	\$ 1,773,398	\$ 1,773,398

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (364,862)**

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 costs of those assets are allocated over their estimated useful lives as depreciation expense.

Add: Capital Outlays	253,019
Less: Depreciation Expense	(640,334)

Property tax revenues in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.	(7,074)
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Capital asset contributions are revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the governmental funds.	1,746,625
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CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 987,374**

THE TOWN OF POOLESVILLE, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2015

	Water and Sewer Fund	Total Proprietary Funds
ASSETS		
CURRENT ASSETS		
Pooled Cash and Cash Equivalents		
Unrestricted	\$ 242,267	\$ 242,267
Restricted	289,379	289,379
Non-Pooled Cash and Cash Equivalents	10,120	10,120
Accounts Receivable	91,388	91,388
Unbilled Services	272,862	272,862
Inventory	24,750	24,750
Current Portion of Note Receivable	902	902
TOTAL CURRENT ASSETS	931,668	931,668
NON-CURRENT ASSETS		
Pooled Cash and Cash Equivalents - Restricted	137,008	137,008
Note Receivable	8,052	8,052
Property and Equipment		
Construction in Progress	338,675	338,675
Land and Land Rights	119,429	119,429
Equipment	711,321	711,321
Infrastructure	35,070,639	35,070,639
Vehicles	124,278	124,278
	36,364,342	36,364,342
Less: Accumulated Depreciation	15,332,188	15,332,188
Net Property and Equipment	21,032,154	21,032,154
TOTAL NON-CURRENT ASSETS	21,177,214	21,177,214
TOTAL ASSETS	22,108,882	22,108,882
 DEFERRED OUTFLOWS OF RESOURCES	 -	 -

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2015

	Water and Sewer Fund	Total Proprietary Funds
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	175,768	175,768
Accrued Interest Payable	19,398	19,398
Current Portion of Bonds Payable	247,100	247,100
TOTAL CURRENT LIABILITIES	442,266	442,266
NON-CURRENT LIABILITIES		
Bonds Payable	3,028,847	3,028,847
TOTAL NON-CURRENT LIABILITIES	3,028,847	3,028,847
TOTAL LIABILITIES	3,471,113	3,471,113
 DEFERRED INFLOWS OF RESOURCES	 -	 -
 NET POSITION		
Net Investment in Capital Assets	17,756,207	17,756,207
Restricted	426,387	426,387
Unrestricted	455,175	455,175
TOTAL NET POSITION	\$ 18,637,769	\$ 18,637,769

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Water and Sewer Fund	Total Proprietary Funds
OPERATING REVENUES		
Charges for Services	\$ 1,096,817	\$ 1,096,817
OPERATING EXPENSES		
Water		
Personnel Services	192,153	192,153
Outside Services and Testing	14,331	14,331
Utilities and Chemicals	172,235	172,235
Repairs and Maintenance	123,834	123,834
Administrative and General	135,791	135,791
	638,344	638,344
Sewer		
Personnel Services	193,553	193,553
Sludge Hauling	107,620	107,620
Outside Services and Testing	47,494	47,494
Utilities and Chemicals	161,440	161,440
Repairs and Maintenance	174,055	174,055
Administrative and General	82,334	82,334
	766,496	766,496
Inflow and Infiltration	21,982	21,982
Depreciation	842,350	842,350
TOTAL OPERATING EXPENSES	2,269,172	2,269,172
OPERATING LOSS	(1,172,355)	(1,172,355)
NON-OPERATING REVENUES (EXPENSES)		
Impact and Tap Fees	216,132	216,132
Interest Expense	(42,454)	(42,454)
Interest Income	5,374	5,374
Gain on Disposal of Assets	190,694	190,694
Other Revenues	10,403	10,403
TOTAL NON-OPERATING REVENUES (EXPENSES)	380,149	380,149

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Water and Sewer Fund	Total Proprietary Funds
NET LOSS BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(792,206)	(792,206)
Net Transfers	743,257	743,257
Capital Contributions	434,076	434,076
CHANGES IN NET POSITION	385,127	385,127
Net Position - Beginning of Year	18,252,642	18,252,642
NET POSITION - END OF YEAR	\$ 18,637,769	\$ 18,637,769

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Water and Sewer Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows		
Cash Received From Customers	\$ 1,009,411	\$ 1,009,411
Outflows		
Cash Paid to Suppliers	1,689,654	1,689,654
Cash Paid to Employees	385,706	385,706
	<u>2,075,360</u>	<u>2,075,360</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,065,949)</u>	<u>(1,065,949)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Inflows		
Other Revenues	10,403	10,403
	<u>10,403</u>	<u>10,403</u>
Outflows		
Cash Paid to Other Funds	3,000	3,000
	<u>3,000</u>	<u>3,000</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>7,403</u>	<u>7,403</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Inflows		
Capital Contributions and Grants	20,000	20,000
Impact and Tap Fees	216,132	216,132
Proceeds from Sale of Capital Assets	190,694	190,694
Proceeds from Long-Term Debt	1,364,885	1,364,885
Principal Received on Loan Repayments	867	867
	<u>1,792,578</u>	<u>1,792,578</u>
Outflows		
Interest Paid	31,631	31,631
Purchase of Capital Assets	466,743	466,743
Payments on Long-Term Debt	138,305	138,305
	<u>636,679</u>	<u>636,679</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>1,155,899</u>	<u>1,155,899</u>

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Water and Sewer Fund	Total Proprietary Funds
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows		
Interest Received	5,374	5,374
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,374	5,374
NET INCREASE IN CASH AND CASH EQUIVALENTS	102,727	102,727
Cash and Cash Equivalents - Beginning of Year	576,047	576,047
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 678,774	\$ 678,774
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
CURRENT ASSETS		
Pooled Cash and Cash Equivalents		
Unrestricted	\$ 242,267	\$ 242,267
Restricted	289,379	289,379
Non-Pooled Cash and Cash Equivalents	10,120	10,120
TOTAL CURRENT ASSETS	541,766	541,766
NON-CURRENT ASSETS		
Pooled Cash and Cash Equivalents - Restricted	137,008	137,008
TOTAL NON-CURRENT ASSETS	137,008	137,008
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 678,774	\$ 678,774
 NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
The Town received sewer and water related infrastructure from developer	\$ 414,076	\$ 414,076

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Town of Poolesville, Maryland (the “Town”) was incorporated in 1867 and adopted its present charter March 15, 1982, as amended. The Town operates under a Commissioner supervised form of government and provides the following services as authorized by its charter: general administrative, public safety and enforcement, streets, storm sewer, recreation and parks, and water and sewer services.

The Town’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no separate component units of the Town.

New Accounting Pronouncements Adopted

The following summarizes GASB Statements implemented by the Town during the year ended June 30, 2015 and the relating effects on the financial statements presentation and disclosure, as applicable:

GASB Statement No. 68, Accounting and Reporting for Pensions - The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions, including improving information provided by state and local government employers about financial support for pensions that is provided by other entities, by requiring enhanced note disclosures and schedules of required supplementary information and promoting more transparency and consistency amongst state and local government financial statements. The provisions of this statement were effective for periods beginning after June 15, 2014, and were implemented by the Town as of July 1, 2014 with no effect on financial statements presentation or disclosure.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* - The objective of this statement is to improve accounting and financial reporting by state and local governments for combinations in the governmental environment, and improve the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination agreements in when they engage and for disposals of government operations through transfer or sale. The provisions of this statement were effective for periods beginning after December 31, 2013, and were implemented by the Town as of July 1, 2014 with no effect on the financial statements presentation or disclosure.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - The objective of this statement is to address an issue regarding application of the transition provision of Statement No. 68, *Accounting and Financial Reporting for Pensions* relating to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit plan after the measurement date of the government's beginning net pension liability. The provisions of this statement were effective for periods beginning after June 15, 2014, and were implemented by the Town as of July 1, 2014 in conjunction with GASB Statement No. 68 implementation above with no effect on the financial statements presentation or disclosure.

Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund (reporting the Town's major funds) financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's general administrative, public safety and enforcement, streets, storm sewer, and recreation and parks services are classified as governmental activities. The Town's water and sewer services are classified as business-type activities.

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full-accrual, economic-resource basis, which recognizes all long-term assets, receivables, and deferred outflows of resources as well as long-term debt and obligations and deferred inflows of resources. The Town's net position is reported in three parts: invested in capital assets (net of related debt); restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities, unless internally designated for a specific future project.

The government-wide statement of activities reports both the gross and net cost per functional category (public works, recreation and parks, etc.), which are otherwise being supported by general government revenues (real estate and income taxes, certain intergovernmental

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues. The program revenues must be directly associated with the function or business-type activity. 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 or activity, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other general revenues not restricted to specific program functions are reported instead as general revenues.

The net costs (by function or program) are normally covered by general revenue (property and income taxes, intergovernmental revenues, interest income, etc.). The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

For the determination of major funds, the Town utilizes various criteria such as percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined.

Governmental Funds

Governmental funds are those through which most governmental functions of the Town are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets and deferred outflows of resources are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is a description of the Town's major governmental fund:

General Fund - The General Fund is the primary operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues for the Town's proprietary funds are charges for water and sewer services. Operating expenses for the Town's proprietary funds include personnel services, sludge hauling, outside services and testing, utilities and chemicals, repairs and maintenance, administrative and general, inflow and infiltration, and depreciation on property and equipment. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town's proprietary fund is classified as an enterprise fund. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The following is a description of the Town's major enterprise fund:

Water and Sewer Fund - The Water and Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are partially financed through user charges.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Accrual - Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when 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 eligible requirements imposed by the provider have been met.

Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and as unearned revenues or deferred outflows of resources by the recipient.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments, with a remaining maturity of three months or less when purchased, are considered to be cash equivalents. The carrying amount approximates estimated fair value because of the short maturity of those instruments.

Unbilled Services

Unbilled customer service receivables for water consumption and related sewer charges are based upon the actual quantity of water used during the subsequent billing quarters or the previous year's respective billing quarters, depending on the availability of the related readings when unbilled services are estimated.

Inventory

Inventories of materials and supplies are maintained in the Water and Sewer Fund. Materials and supplies are carried at cost using the first-in, first-out method and are subsequently charged to expenditures when consumed.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets and Depreciation

Capital assets used in governmental fund type operations are accounted for in the government-wide financial statements, rather than in governmental funds.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Capital assets with a value of \$5,000 or more are capitalized by the Town. Capital assets are depreciated using the straight-line, full-year method over the following estimated useful lives:

Buildings and Improvements	10 - 40 years
Equipment	5 - 20 years
Infrastructure	20 - 50 years
Vehicles	5 years

Government-Wide Statements

In the government-wide financial statements, capital assets used in operations are accounted for as property and equipment. The Town elected to retroactively report all general infrastructure assets, including roads, bridges, and other infrastructure assets, at historical cost in a prior year. The Town has elected not to retroactively report intangible assets, including capital assets identified as having indefinite useful lives or being internally generated, prior to July 1, 2009. All intangible assets acquired subsequent to July 1, 2009 are reported at historical cost.

Depreciation of all exhaustible capital assets is recorded as a direct expense in the statement of activities, with accumulated depreciation reflected in the statement of net position.

Additions are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Interfund Activity

Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after non-operating revenues/expenses in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

The Water and Sewer Fund reimburses the General Fund for a percentage of salaries, wages, and related costs for General Fund personnel who perform general and administrative services for the Water and Sewer Fund.

Net Position and Fund Balances

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the Town that is not restricted for any project or other purpose. However, these funds may be constrained for specific projects or purposes in the fund financial statements.

In the fund financial statements, fund balances are classified in the following categories:

Nonspendable Fund Balance - This category represents amounts that are not in spendable form (such as inventory and long-term receivables) or are required to be maintained intact.

Restricted Fund Balance - This category represents amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Committed Fund Balance - This category represents amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned Fund Balance - This category represents amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned Fund Balance - This category represents amounts that are available for any purpose.

For the classification of fund balances, the Town considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balance, the Town considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

For committed fund balance, the Town's highest level of decision-making authority is the Commissioners. The formal action that is required to be taken to establish and modify or rescind a fund balance commitment is an ordinance.

For assigned fund balance, the Commissioners are authorized to assign amounts to a specific purpose. The authorization policy is a formal motion.

Budgets and Budgetary Analysis

The Town adopts an annual budget for the General and Water and Sewer Funds on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations for salaries and operating expenses lapse at the fiscal year end, but appropriations for equipment and capital projects are carried forward into the subsequent fiscal year as an appropriated surplus. Budget revisions receive approval of the Commissioners if the result is an appropriation from the operating reserve or a change in the funding for a capital expenditure. There were several budget revisions approved by the Commissioners during the year ended June 30, 2015. Both original and final budgets of the General Fund have been included in the presentation of the Town's required supplementary information (see *Schedule "1"*).

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, the disclosure of contingencies, and the reported revenues and expenditures/expenses. Actual results could vary from the estimates that were used.

Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 28, 2015, the date the financial statements were available to be issued.

Note 2. Deposits and Investments

The deposits and investments held as of June 30, 2015 are as follows:

<u>Type</u>	<u>Rating/ Interest Rate (Unaudited)</u>	<u>Maturities (Unaudited)</u>	<u>Carrying Value</u>
Deposits			
Demand Deposits			\$ 137,311
Pooled Cash and Cash Equivalents			
Montgomery County Investment Pool	Unrated/0.22%	213 Days Average	668,654
Investments			
Montgomery County Investment Pool	Unrated/0.22%	213 Days Average	<u>1,638,552</u>
Total Deposits and Investments			<u>\$ 2,444,517</u>

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

The reconciliation to the statement of net position as of June 30, 2015 is as follows:

Current Assets	
Pooled Cash and Cash Equivalents	
Unrestricted	\$ 242,267
Restricted	<u>289,379</u>
Total Pooled Cash and Cash Equivalents	.....531,646
Non-Pooled Cash and Cash Equivalents	.....137,311
Pooled Investments	
Unrestricted	1,488,185
Restricted	<u>63,130</u>
Total Pooled Investments	...1,551,315
Total Current Assets	...2,220,272
Non-Current Assets	
Pooled Cash and Cash Equivalents - Restricted	137,008
Pooled Investments - Restricted	<u>87,237</u>
Total Non-Current Assets	.....224,245
	<u>\$ 2,444,517</u>

The Town is a participant of the Montgomery County Pooled Investment Program (MCPIP), provided by the Montgomery County government, which offers county entities and other jurisdictions an investment vehicle for short-term investment of funds managed pursuant to State Legislature requirements. The MCPIP, under the administrative control of the County's department of finance, is managed by a single financial institution. The Montgomery County Investment Committee oversees the activities of the MCPIP through quarterly meetings.

Short-term investments of the pool are reported at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market value are reported at estimated fair value as determined by the MCPIP's administrators. The fair value of the pool is the same as the value of the pool shares.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Restricted cash and cash equivalents and investments as of June 30, 2015 are as follows:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>
Current Assets		
Pooled Cash and Cash Equivalents - Restricted		
Development Proffers	\$ -	\$ 7,500
Impact Fees	<u>-</u>	<u>281,879</u>
Total Pooled Cash and Cash Equivalents - Restricted	.....:	...289,379
Pooled Investments - Restricted		
Impact Fees	53,130	-
Reforestation	<u>10,000</u>	<u>-</u>
Total Pooled Investments - Restricted	...63,130:
Total Current Assets	<u>\$ 63,130</u>	<u>\$ 289,379</u>
Non-Current Assets		
Pooled Cash and Cash Equivalents - Restricted		
Impact Fees	\$ <u>-</u>	\$ 137,008
Total Pooled Cash and Cash Equivalents - Restricted	.....:	...137,008
Pooled Investments - Restricted		
Impact Fees	82,624	-
Public Safety	499	-
Reforestation	<u>4,114</u>	<u>-</u>
Total Pooled Investments - Restricted	...87,237:
Total Non-Current Assets	<u>\$ 87,237</u>	<u>\$ 137,008</u>

Restricted assets are classified as current when they are restricted for payment of current liabilities. Otherwise, they are non-current in nature.

The Town is governed by the deposit and investment limitations of Maryland law. The Town's formal investment policy does not limit its investment choices beyond the limitations of state law as follows:

1. An obligation for which the United States has pledged its faith and credit for the payment of the principal and interest;
2. An obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress;

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

3. A repurchase agreement collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer;
4. Bankers' acceptances guaranteed by a financial institution with a short-term debt rating in the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the United States Securities and Exchange Commission (SEC) or the Treasurer;
5. With respect to amounts treated by the Internal Revenue Service as bond sale proceeds only, bonds, notes, or other obligations of investment grade in the highest quality letter and numerical rating by at least one nationally recognized statistical rating organization as designated by the United States SEC issued by or on behalf of this or any other state or any agency, department, county, municipal or public corporation, special district, authority, or political subdivision thereof, or in any fund or trust that invests only in securities of the type described in this paragraph;
6. Commercial paper that has received the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by the United States SEC, provided that such commercial paper may not exceed five percent of the total investments made by the Treasurer under this subsection;
7. Money market mutual funds that:
 - a. contain only securities of the organizations listed in items (1), (2), and (3) of this subsection;
 - b. are registered with the Securities and Exchange Commission under the Investment Company Act (ICA) of 1940, 15 U.S.C. § 80a-1 et seq., as amended; and
 - c. are operated in accordance with Rule 2A-7 of the ICA of 1940, 17 C.F.R. § 270.2A-7, as amended;
8. Any investment portfolio created under the Maryland Local Government Investment Pool (MLGIP) defined under Article 95, § 22G of the Code that is administered by the Office of the State Treasurer;

Custodial Credit Risk

Deposits in financial institutions, reported as components of non-pooled cash and cash equivalents, had a bank balance of \$278,177 as of June 30, 2015, \$28,177 of which was exposed to custodial credit risk and uninsured. This amount was fully collateralized by securities pledged and held by a financial institution, not in the Town's name.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Interest Rate and Credit Risk

The Town's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates as follows: the Town will attempt to match its investments with anticipated cash flow requirements and unmatched investments are to be limited to securities maturing up to two years from the date of purchase. Maturities of investments held as of June 30, 2015 are provided in the previous schedule.

The Town's formal investment policy does not address investment credit risk. Credit ratings on investments held as of June 30, 2015 are provided in the previous schedule.

Concentration of Credit Risk

The Town's formal investment policy limits the amount of concentration, in exception of United States Treasury Securities and authorized pools, to no more than 50% of the total investment portfolio in a single security type or with a single financial institution. As of June 30, 2015, the Town had no concentration of credit risk.

Note 3. Capital Assets and Depreciation

A summary of governmental activities follows:

	Balance July 1, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Transferred to Active Status	Balance June 30, <u>2015</u>
Governmental Activities					
Non-Depreciable Assets					
Construction in Progress	\$ 124,331	\$ 24,861	\$ -	\$ (117,778)	\$ 31,414
Land and Land Rights	<u>2,600,931</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600,931</u>
Total Non-Depreciable Assets	<u>2,725,262</u>	<u>24,861</u>	<u>-</u>	<u>(117,778)</u>	<u>2,632,345</u>
Depreciable Assets					
Buildings and Improvements	5,124,764	438,241	-	112,778	5,675,783
Equipment	1,106,134	326,722	-	-	1,432,856
Infrastructure	15,008,869	1,178,951	-	5,000	16,192,820
Vehicles	<u>384,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384,956</u>
Total Depreciable Assets	<u>21,624,723</u>	<u>1,943,914</u>	<u>-</u>	<u>117,778</u>	<u>23,686,415</u>
Total Capital Assets	<u>24,349,985</u>	<u>1,968,775</u>	<u>-</u>	<u>-</u>	<u>26,318,760</u>
Accumulated Depreciation					
Buildings and Improvements	1,217,624	206,081	-	-	1,423,705
Equipment	847,964	78,835	-	-	926,799
Infrastructure	7,091,919	316,407	-	-	7,408,326
Vehicles	<u>269,722</u>	<u>39,011</u>	<u>-</u>	<u>-</u>	<u>308,733</u>
Total Accumulated Depreciation	<u>9,427,229</u>	<u>640,334</u>	<u>-</u>	<u>-</u>	<u>10,067,563</u>
Total Capital Assets, Net	<u>\$ 14,922,756</u>	<u>\$ 1,328,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,251,197</u>

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense for the year ended June 30, 2015 was charged to governmental activities functions as follows:

General Government	\$ 148,085
Public Safety	19,467
Public Works, Recreation and Parks	<u>472,782</u>
	<u>\$ 640,334</u>

Accumulated costs attributable to governmental activities projects included in construction in progress as of June 30, 2015 are as follows:

Hoewing Park Fencing	\$ 20,960
West Willard Sidewalks	<u>10,454</u>
	<u>\$ 31,414</u>

A summary of business-type activities follows:

	Balance July 1, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Transferred to Active <u>Status</u>	Balance June 30, <u>2015</u>
Business-Type Activities					
Non-Depreciable Assets					
Construction in Progress	\$ 292,639	\$ 46,036	\$ -	\$ -	\$ 338,675
Land and Land Rights	<u>119,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,429</u>
Total Non-Depreciable Assets	.....<u>412,068</u>	.....<u>46,036</u>	.....-	.....-	.....<u>458,104</u>
Depreciable Assets					
Equipment	705,320	6,001	-	-	711,321
Infrastructure	34,236,996	833,643	-	-	35,070,639
Vehicles	<u>124,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,278</u>
Total Depreciable Assets	... <u>35,066,594</u>	... <u>839,644</u>	.....-	.....-	...<u>35,906,238</u>
Total Capital Assets	... <u>35,478,662</u>	... <u>885,680</u>	.....-	.....-	...<u>36,364,342</u>
Accumulated Depreciation					
Equipment	311,938	98,094	-	-	410,032
Infrastructure	14,105,576	728,205	-	-	14,833,781
Vehicles	<u>72,324</u>	<u>16,051</u>	<u>-</u>	<u>-</u>	<u>88,375</u>
Total Accumulated Depreciation	... <u>14,489,838</u>	... <u>842,350</u>	.....-	.....-	...<u>15,332,188</u>
Total Capital Assets, Net	<u>\$ 20,988,824</u>	<u>\$ 43,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,032,154</u>

Depreciation expense for the year ended June 30, 2015 charged to business-type activities for the Water and Sewer Fund totaled \$842,350.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Accumulated costs attributable to business-type activities projects included in construction in progress as of June 30, 2015 are as follows:

Fisher Avenue Water Line Relocation	\$ 31,718
Jamison Cattail Well	87,169
Rabanales Well #11	205,470
Westerly Well #14	<u>14,318</u>
	<u>\$ 338,675</u>

As of June 30, 2015, Well #10 has a net book value of approximately \$76,000 and is off line due to a bacterial issue. The well will be reevaluated in the coming year by a review of all rehabilitation options and a determination of whether the well is permanently impaired.

The Town sold two tracts of land on Whites Road and Westerly Avenue during the year ended June 30, 2015 with the proceeds of \$190,694 being recorded as non-operating revenue in the Water and Sewer Fund. The Town did not have the land recorded as a capital asset and therefore, no asset disposals were recorded.

Note 4. Long-Term Debt

Bonds payable as of June 30, 2015 consists of the following for Business-Type Activities:

Bonds Payable

2004 Water Quality Bond Series (State of Maryland) - Wastewater Treatment Plant/Biological Nutrient Removal Upgrade; due in remaining annual principal installments ranging from \$66,341 to \$72,408, through February 2024; annual interest rate of 1.1% paid semi-annually; secured by the credit and taxing power of the Town	\$ 624,024
2006 Bond (State of Maryland) - Wesmond Sewer Rehabilitation Project Phases III-V; due in remaining annual principal installments ranging from \$74,876 to \$75,707, through February 2021; annual interest rate of 1.0% paid semi-annually; secured by the credit and taxing power of the Town	457,650
2013 Water Quality Bond Series (State of Maryland) - Westerly Subdivision Relining; due in remaining annual principal installments ranging from \$57,648 to \$147,651, through February 2033; annual interest rate of 2.1% paid semi-annually; secured by the credit and taxing power of the Town	<u>2,194,273</u>
Total Bonds Payable	<u>\$ 3,275,947</u>

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

<u>Type of Debt</u>	Balance July 1, 2014	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2015	Due Within One Year
Governmental Activities					
Accounts Payable	\$ 115,838	\$ 70,912	\$ 35,781	\$ 150,969	\$ 62,479
Total Governmental Activities	<u>\$ 115,838</u>	<u>\$ 70,912</u>	<u>\$ 35,781</u>	<u>\$ 150,969</u>	<u>\$ 62,479</u>
Business-Type Activities					
Bonds Payable					
State of Maryland - 2004	\$ 689,643	\$ -	\$ 65,619	\$ 624,024	\$ 66,341
State of Maryland - 2006	531,784	-	74,134	457,650	74,876
State of Maryland - 2013	<u>827,940</u>	<u>1,470,038</u>	<u>103,705</u>	<u>2,194,273</u>	<u>105,883</u>
Total Bonds Payable	<u>2,049,367</u>	<u>1,470,038</u>	<u>243,458</u>	<u>3,275,947</u>	<u>247,100</u>
Accounts Payable and Accrued Expenses	<u>16,921</u>	<u>-</u>	<u>16,921</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 2,066,288</u>	<u>\$ 1,470,038</u>	<u>\$ 260,379</u>	<u>\$ 3,275,947</u>	<u>\$ 247,100</u>

The accounts payable and accrued expenses noted in the schedules above only represent specific liabilities that span over a one-year period and will be paid from future impact fee collections from the Kettler development.

Interest and related costs incurred for business-type activities for the year ended June 30, 2015 was \$56,043, of which \$42,454 was expensed and \$13,589 was capitalized as part of related project costs.

The principal and interest requirements to maturity of the bonds payable debt are as follows:

Year Ending <u>June 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 247,100	\$ 57,854
2017	250,802	53,819
2018	254,565	50,054
2019	258,393	46,227
2020	262,285	42,374
2021-2025	973,229	155,866
2026-2030	679,660	80,153
2031-2033	<u>349,913</u>	<u>12,870</u>
	<u>\$ 3,275,947</u>	<u>\$ 499,217</u>

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 5. Interfund Transactions

Interfund transfers are indicative of funding for capital projects and subsidies of various Town operations. For the year ended June 30, 2015, \$743,257 net was transferred from the General Fund to the Water and Sewer Fund, of which \$1,723,166 was for current and prior year capital expenditures, \$146,716 was for subsidizing interfund salaries, benefits and insurance costs, \$365,557 was for debt service payments from the current and prior year. The Water and Sewer Fund returned a portion of the funds \$(1,470,038) from bond proceeds and \$(22,144) was for other miscellaneous expense covered from Water and Sewer Fund on behalf of General Fund.

Note 6. Net Position and Fund Balances

The following is a summary of restricted net position and fund balances as of June 30, 2015:

General Fund	
Impact Fees	\$ 134,031
Public Safety	499
Reforestation	<u>14,114</u>
Total General Fund	<u>\$ 148,644</u>
Water and Sewer Fund	
Development Proffers	\$ 7,500
Impact Fees	<u>418,887</u>
Total Water and Sewer Fund	<u>\$ 426,387</u>

Impact Fees - Investments derived from impact fees are restricted to the purpose for which the impact fees are imposed by enabling legislation.

Public Safety - Investments derived from speed camera revenue are restricted for public safety purposes, including pedestrian safety programs.

Reforestation Fees - Investments derived from reforestation fees are restricted to the purpose for which the reforestation fees are imposed.

Development Proffers - As part of Public Improvement Agreements signed with several developers, the Town has pooled cash and cash equivalents restricted for specific purposes, including well construction, sewer infrastructure and maintenance, and streetscape projects.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

The following is a summary of General Fund assigned fund balances as of June 30, 2015:

Economic Development	\$	9,535
Recreation		11,022
Senior Program		18,783
General Fund Capital Projects		569,226
Water and Sewer Fund Capital Projects		<u>675,625</u>
		<u>\$ 1,284,191</u>

Note 7. Property Taxes

From the effective date of the budget, the amount stated thereon as the amount to be raised by property taxes shall constitute a determination of the amount of the tax levies in the corresponding tax year. The Town’s property taxes are levied each July 1 on the assessed value listed as of July 1 for all real and business personal property located in the Town. Real property taxes are due in two equal installments, half on September 30 and half on December 31, and become delinquent after January 1. Business personal property taxes are due in one installment between July 1 and December 31, and become delinquent after January 1. The tax rates for real and business personal property for the year ended June 30, 2015 were \$0.17 and \$0.60, respectively, per \$100 assessed property value.

Note 8. Lease Agreements

The Town has entered into communication tower lease agreements, which are expected to provide the following future minimum receipts for the years ending June 30:

2016		\$ 144,759
2017		131,472
2018		131,345
2019		98,254
2020		<u>3,726</u>
		<u>\$ 509,556</u>

All lease agreements have three consecutive five-year renewal options at the lessee’s discretion, and the future minimum receipts noted above are limited to the current renewal periods under the relating non-cancelable agreements.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 9. Deferred Compensation Plans

The Town offers two deferred compensation plans, including a simplified defined contribution employee pension (SEP) plan, in accordance with Internal Revenue Code (IRC) Section 408(k), and a deferred compensation plan, in accordance with IRC Section 457(b). In May 2015, the Town replaced the previous SEP plan with a 401(a) government plan, in accordance with Internal Revenue Code (IRC) Section 414(d). The Town's plans are available to all full-time employees. The 457(b) has one active participant as of June 30, 2015. The 401(a) plan has 16 active participants as of June 30, 2015.

The 457(b) plan permits employees to defer a portion of their salary until future years, which the employees are fully vested in upon contribution. Employees can defer the lesser of \$17,500, and up to an additional \$5,500 catch-up for employees age 50 or over, or 100% of their includable salaries over the plan year.

The 401(a) plan, similar to the previous SEP plan, permits the Town to contribute an amount not less than 10% of the employee's base compensation. The Town's contribution for each employee (and interest allocated to the employee's account) is fully vested at the time the employee's participation in the plan begins. The Commissioners can amend these terms if 61% of the Commissioners vote to amend them. The Town contributed \$64,386 under the 408(k) plan and \$18,794 under the 401(a) plan during the year ended June 30, 2015.

All amounts of compensation deferred under the plans and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose. The 401(a) and 457(b) Plan Administrators, MG Trust Company, LLC and AXA Equitable, respectively, are the trustees of the investments.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 10. Reconciliation of Operating Loss to Net Cash Used by Operating Activities

	<u>Water and Sewer Fund</u>
Operating Loss	\$ (1,172,355)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	842,350
(Increase) Decrease in Assets	
Accounts Receivable	(35,363)
Unbilled Services	(52,043)
Inventory	15,524
(Decrease) in Liabilities	
Accounts Payable and Accrued Expenses	<u>(664,062)</u>
Net Cash Used by Operating Activities	<u>\$ (1,065,949)</u>

Due to a change in presentation between investments and cash and cash equivalents, the beginning cash balance was adjusted from \$6,846 to \$576,047.

Note 11. Commitments and Contingencies

The Town participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by the appropriate grantor government, but the Town believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual funds or the overall financial position of the Town.

The Town has a number of Public Improvements Agreements with various developers and contractors within the Town. One current agreement has significant commitments to the Town in relation to construction and related costs through reimbursement of collected impact fees. Under the agreement, the Town reimburses the developer the portion of impact fees (“credits”), as received, that relate to recreation and water supply facilities functions, based on the Town’s impact fee model, for Town-approved invoices from the relating developers. Any collected fees for the recreation and water supply functions under these agreements are tracked as restricted cash until invoices are received to be paid from these accumulated funds. In addition, the Town is liable for actual costs incurred by the developer exceeding impact fees

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

collected and reimbursed for those recreation and water supply facilities functions, which are payable from future collected impact fees.

As of June 30, 2015, the Town had \$38,130 in recreation credits in the General Fund reported as restricted investments, however a balance of \$150,969 is related to costs incurred by the developers as of June 30, 2015 that have not yet been reimbursed to the developers. The Town has agreed with the developers to repay the remaining balance upon collection of other recreation credits from the developers as other units progress and will make a final lump-sum payment when the development is complete.

In 2014, the Town executed a lease agreement with an unrelated party to install a ground mount solar system on Town property for a period of 20 years with an additional five year available extension. Provided the Town does not exercise an option to purchase the system prior to lease expiration (based on an annual declining-cost scale starting after the fifth year of lease or then fair market value, whichever greater), the unrelated party will remove the system and return the land back to original state within six months of lease expiration/termination. The Town executed a Retail Electricity Agreement, whereas the Town agrees to purchase electricity output for the Town's wastewater treatment facility directly from the system over the length of the system lease agreement at a pre-determined price per kWh, which increases annually.

Note 12. Risk Management

The Town is exposed to various risks of loss related to torts, errors and omissions, and natural disasters. The Town purchases commercial insurance for theft of, damage to, and destruction of assets, and injuries to employees. The Town currently reports all of its risk management activities in the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The Town is a member in the Local Government Insurance Trust (LGIT), which is owned and directed by local governments (participants) that subscribe to its insurance coverages. The LGIT is managed by a Board of Trustees and a contract administration company. The trustees are elected by a majority vote of the participants with each participant having one vote. The Town does not exercise any control over the LGIT's operations.

The maximum coverage under the liability pool of the LGIT is \$1,000,000 per claim. The Town also participates in an excess liability pool, which has maximum coverage of \$2,000,000. Settled claims resulting from these risks exceeded insurance coverage for the year ended June 30, 2013, but did not exceed insurance coverage the years ended June 30, 2015 and 2014.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 13. Environmental Concerns

The Town operates a sewer facility and has an above-ground storage tank for its diesel fuel. The above-ground storage tank is surrounded by containment tanks to lessen the severity of contamination in the event of a leak. If a leak or contamination occurred, the Town could become liable for the cost to clean up the spill.

Note 14. Concentrations and Economic Dependencies

The Town provides various services to its residents. The Town is located in Montgomery County, Maryland. Credit is granted to its residents for taxes, water bills, and sewer bills. The Town may place a lien on any property associated with unpaid taxes and water and sewer services; therefore, an allowance for uncollectible amounts is not considered necessary.

Note 15. New Governmental Accounting Standards Board Pronouncements

The GASB has issued several pronouncements prior to the year ended June 30, 2015 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Town:

GASB Statement No. 72, *Fair Value Measurement and Application*, will be effective for the Town as of July 1, 2015. The objective of this statement is to address accounting and financial reporting issues by state and local governments for fair value measurements, including determining a fair value measurement for financial reporting purposes, applying fair value to certain investments, and requiring additional disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, will be effective for the Town as of July 1, 2016. The objective of this statement is to complete the suite of pension standards, by establishing requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by Statement No. 67 and No. 68) to be reflected in the measurements.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective for the Town as of July 1, 2016. The objective of this statement is to address the financial reports of defined benefit other postemployment benefits (OPEB) plans that are administered through trusts, by requiring a statement of fiduciary net position, a statement of changes in fiduciary net position, and more extensive note disclosures and required supplementary information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the Town as of July 1, 2017. The objective of this statement is to require governments to report a liability on the face of the financial statements for the OPEB plan they provide, and to present more extensive note disclosures and RSI about their OPEB liabilities.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective for the Town as of July 1, 2015. The objective of this statement is to identify the hierarchy of GAAP in the context of the current governmental financial reporting requirements. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event of the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for the Town as of July 1, 2016. The objective of this statement is to assist users of financials statements in assessing 1) sufficiency for inter-period equity, 2) compliance with finance-related legal and contractual obligations, 3) financial resources of the government entity and its use, and 4) the government's financial position and economic condition and its impact of overtime change. Required disclosure of tax abatement information about a reporting government's own tax abatement and those entered into by other governments and reduce reporting government's tax revenues.

REQUIRED SUPPLEMENTARY INFORMATION

THE TOWN OF POOLESVILLE, MARYLAND
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

UNAUDITED

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	\$ 2,160,643	\$ 2,302,062	\$ 2,327,570	\$ 25,508
Intergovernmental	276,356	441,456	445,653	4,197
Charges for Services	93,514	138,243	138,040	(203)
Licenses and Permits	70,000	78,298	81,528	3,230
Interest Income and Rents	145,000	182,043	182,359	316
Miscellaneous	3,244	65,077	10,604	(54,473)
TOTAL REVENUES	2,748,757	3,207,179	3,185,754	(21,425)
EXPENDITURES				
General Government	1,164,169	1,329,119	1,373,329	(44,210)
Public Safety	23,000	26,466	26,466	-
Public Works	571,800	617,058	1,107,171	(490,113)
Recreation and Parks	62,700	48,655	47,374	1,281
Capital Outlays	725,743	743,334	253,019	490,315
TOTAL EXPENDITURES	2,547,412	2,764,632	2,807,359	(42,727)
EXCESS OF REVENUES OVER EXPENDITURES	201,345	442,547	378,395	(64,152)
OTHER FINANCING USES				
Net Transfers	(263,851)	(1,672,760)	(743,257)	929,503
TOTAL OTHER FINANCING USES	(263,851)	(1,672,760)	(743,257)	929,503
NET CHANGES IN FUND BALANCE	(62,506)	(1,230,213)	(364,862)	865,351
Fund Balance - Beginning of Year	2,138,260	2,138,260	2,138,260	-
FUND BALANCE - END OF YEAR	\$2,075,754	\$ 908,047	\$1,773,398	\$ 865,351