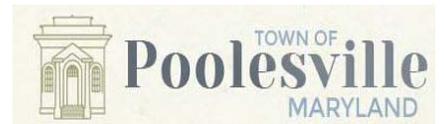


THE TOWN OF POOLESVILLE, MARYLAND

**BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**



**CPAs &
BUSINESS
ADVISORS**

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THE TOWN OF POOLESVILLE, MARYLAND

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INDEPENDENT AUDITORS' REPORT

October 18, 2018

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 44 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.

RLH CPAs & Business Advisors, LLC

Frederick, Maryland

THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
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, 2018. 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 \$39,829,227. Of this amount, \$4,065,159 may be used to meet the Town's ongoing obligations to citizens and creditors.
2. The Town's total net position increased by \$669,479, of which \$562,084 increase was from governmental activities, while net position of business-type activities increased by \$107,395.
3. As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$3,158,235, an increase of \$756,991 in comparison to the prior year. \$2,970,489 is considered spendable and unrestricted, \$944,362 of which is unassigned and is available for spending at the Town's discretion.
4. The Town's total debt decreased by \$254,565 during the current fiscal year.

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 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.

THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED

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 schedule for the General Fund has been provided to demonstrate compliance with the budget and can be found in the financial statements as required supplementary information.

THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED

Proprietary Funds. The Town maintains one enterprise-type proprietary fund: the water and sewer 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 \$39,829,227 at the close of the most recent fiscal year.

By far, the largest portion of the Town's net position (88%) reflects its net investment in capital assets (e.g. land, buildings, equipment, and construction in progress), less any related debt and other long-term liabilities 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 net 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, 2018
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, 2018 AND 2017**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets						
Current and Other Assets	\$ 3,213,811	\$ 2,420,334	\$ 1,573,182	\$ 1,378,576	\$ 4,786,993	\$ 3,798,910
Capital Assets, Net	<u>17,342,084</u>	<u>17,554,356</u>	<u>20,388,929</u>	<u>20,828,908</u>	<u>37,731,013</u>	<u>38,383,264</u>
Total Assets	<u>20,555,895</u>	<u>19,974,690</u>	<u>21,962,111</u>	<u>22,207,484</u>	<u>42,518,006</u>	<u>42,182,174</u>
Liabilities						
Current Liabilities	107,564	52,119	292,270	386,645	399,834	438,764
Non-Current Liabilities	<u>23,858</u>	<u>60,182</u>	<u>2,265,087</u>	<u>2,523,480</u>	<u>2,288,945</u>	<u>2,583,662</u>
Total Liabilities	<u>131,422</u>	<u>112,301</u>	<u>2,557,357</u>	<u>2,910,125</u>	<u>2,688,779</u>	<u>3,022,426</u>
Net Position						
Net Investment in Capital Assets	17,266,238	17,452,276	17,865,449	18,050,863	35,131,687	35,503,139
Restricted	187,746	117,841	444,635	338,750	632,381	456,591
Unrestricted	<u>2,970,489</u>	<u>2,292,272</u>	<u>1,094,670</u>	<u>907,746</u>	<u>4,065,159</u>	<u>3,200,018</u>
Total Net Position	<u>\$ 20,424,473</u>	<u>\$ 19,862,389</u>	<u>\$ 19,404,754</u>	<u>\$ 19,297,359</u>	<u>\$ 39,829,227</u>	<u>\$ 39,159,748</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.

**THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

**CONDENSED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 269,787	\$ 173,830	\$ 1,262,435	\$ 1,157,633	\$ 1,532,222	\$ 1,331,463
Operating Grants and Contributions	186,569	176,386	-	-	186,569	176,386
Capital Grants and Contributions	263,586	377,560	250,328	356,759	513,914	734,319
<i>General Revenues</i>						
Taxes	2,835,571	2,804,448	-	-	2,835,571	2,804,448
Impact and Tap Fees	67,371	52,705	217,251	229,207	284,622	281,912
Grants, Contributions, and Franchise Fees - Unrestricted	294,366	295,738	-	-	294,366	295,738
Interest Income and Rents	217,556	192,332	18,417	11,660	235,973	203,992
Miscellaneous	6,070	594	13,879	7,721	19,949	8,315
Total Revenues	<u>4,140,867</u>	<u>4,073,593</u>	<u>1,762,310</u>	<u>1,762,980</u>	<u>5,903,186</u>	<u>5,836,573</u>
Expenses						
General Government	1,028,990	1,016,557	-	-	1,028,990	1,016,557
Public Safety	52,207	60,281	-	-	52,207	60,281
Public Works, Recreation, and Parks	1,852,777	2,518,771	-	-	1,852,777	2,518,771
Water and Sewer Services	-	-	2,299,733	2,451,602	2,299,733	2,451,602
Total Expenses	<u>2,933,974</u>	<u>3,595,609</u>	<u>2,299,733</u>	<u>2,451,602</u>	<u>5,233,707</u>	<u>6,047,211</u>
Excess (Deficiency) Before Transfers	1,206,902	477,984	(537,423)	(688,622)	669,479	(210,638)
Net Transfers	(644,818)	(986,992)	644,818	986,992	-	-
Changes in Net Position	\$ 562,084	\$ (509,008)	\$ 107,395	\$ 298,370	\$ 669,479	\$ (210,638)

Governmental Activities. Governmental activities increased the Town's net position by \$562,084. The increase is primarily due to not having paving expenses in the current fiscal year. The Town budgets to do regular repaving every two years, so this accounted for a \$752,719 decrease in public works expenses.

Business-Type Activities. Business-type activities increased the Town's net position by \$107,395. The water and sewer rates increased by 8% effective 7/1/2017. The water and sewer fund charges for services do not cover the cost of operations. As a result the general fund transferred \$644,818 to assist with capital improvements and debt service. In addition, the \$204,927 of contributed capital assets from developers also increased the net position.

THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED

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 \$3,158,235, an increase of \$756,991 in comparison with the prior year. 94% (\$2,970,489) of this total amount constitutes spendable, unrestricted fund balances, \$2,026,127 of which has been assigned by the Town (as discussed in the financial statement notes) and \$944,362 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 \$1,094,670. The enterprise fund had an increase in net position for the year of \$107,395. 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 negative variance in fund balance of \$93,019 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 the Town's 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, 2018
UNAUDITED

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

Overall, revenue streams were in line of budget amounts with a positive budget variance of \$2,886. Taxes had a positive budget variance of \$22,518, with the primary difference being income taxes (\$21,087). Miscellaneous revenue had a negative budget variance of \$24,309. In total, expenditures were more than the budgeted estimates by \$38,429, which was mainly due to a negative variance in public works expenses of \$39,704. The variance in public works primarily relates to trash collection expenses that were over the budgeted amount by \$35,245. Annually, the General Fund transfers funds to Water and Sewer Fund to subsidize debt service payments and capital assets and related expenditures. During 2018, General Fund transferred \$58,976 over the budgeted amounts.

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

Overall, the budget for revenue was increased by \$366,545, which primarily related to increases in charges for services of \$247,789, which resulted from changes to record reforestation fees (\$142,208) and zoning and subdivision fees (\$54,977). Licenses and permits revenue increased \$40,956, primarily due to changes to increase \$37,211 in franchise/traders licenses. In total, the budget for expenses decreased \$167,192, which primarily related to decreases in public works (\$134,513) and capital outlays (\$91,262), as well as an increase in recreation and parks of \$55,646. The decrease in public works was primarily due to the decrease in trash collection of \$93,164 due to cost savings from switching vendors during the year. Additionally, snow removal costs were decreased by \$27,645 due to a mild winter. The decrease in capital outlays was primarily due to the Brightwell Tot Lot project (\$82,304) being originally budgeted in the current fiscal year, but was pushed into the next fiscal year. The increase in recreation and parks was primarily due to an increase in reforestation expenses of \$55,262, which related to the increase in reforestation fees mentioned above.

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, 2018, amounted to \$37,731,013 (net of accumulated depreciation). These capital assets include land, buildings, water/sewer system improvements, machinery and equipment, park facilities, and vehicles. The total net decrease in the Town's

**THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

capital assets for the current fiscal year was \$652,251, as further detailed in the notes to financial statements.

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

	<u>Amount</u>
Kettler street improvement, paving, and storm drains	\$ 248,587
Kettler water and sewer	\$ 204,927
Pickup Truck	\$ 53,724
Sewer Jet	\$ 64,138
Whalen Pathway	\$ 101,330

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

Outstanding Debt as of June 30, 2018.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
General Obligation Bonds	\$ -0-	\$ 2,523,480	\$ 2,523,480

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 2018-19 fiscal year:

1. Population will increase slightly with some new growth expected.
2. The current tax rate will be maintained at \$0.1756 per \$100 of assessed value.
3. Increased funding in salaries and benefits for a 2.1% cost-of-living increase, which is partially offset by a decrease in the budget for municipal services to get to a slight increase in budgeted expenses overall.
4. The water and sewer rates are increased by 2.0%.

**THE TOWN OF POOLESVILLE, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

As a result of a Supreme Court decision in the *Maryland State Comptroller of the Treasury vs. Brian Wynne* case, Maryland municipalities will be required to pay back a portion of local income tax received from Maryland residents that earned income out of the state, but still paid the County “piggyback” tax on that income. Municipalities are affected by the Supreme Court decision because they receive a portion of the County “piggyback” tax. This will begin to affect the Town in the next fiscal year, as income tax appropriations to the Town will begin to be reduced beginning in May 2019. The Town’s liability is expected to be \$27,185.

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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 263,823	\$ 6,956	\$ 270,779
Pooled Investments	2,604,512	672,553	3,277,065
Pooled Investments - Restricted	121,579	83,990	205,569
Accounts Receivable	30,679	67,784	98,463
Taxes Receivable	115,849	-	115,849
Grants Receivable	-	24,151	24,151
Due from Other Governments	11,202	-	11,202
Unbilled Services	-	318,965	318,965
Inventory	-	32,003	32,003
Current Portion of Note Receivable	-	1,017	1,017
TOTAL CURRENT ASSETS	3,147,644	1,207,419	4,355,063
NON-CURRENT ASSETS			
Note Receivable	-	5,118	5,118
Pooled Investments - Restricted	66,167	360,645	426,812
Property and Equipment			
Construction in Progress	173,097	516,634	689,731
Land and Land Rights	2,600,931	119,429	2,720,360
Buildings and Improvements	6,118,090	-	6,118,090
Equipment	1,690,524	712,548	2,403,072
Infrastructure	18,496,746	36,695,749	55,192,495
Vehicles	430,609	100,751	531,360
	29,509,997	38,145,111	67,655,108
Less: Accumulated Depreciation	12,167,913	17,756,182	29,924,095
Net Property and Equipment	17,342,084	20,388,929	37,731,013
TOTAL NON-CURRENT ASSETS	17,408,251	20,754,692	38,162,943
TOTAL ASSETS	20,555,895	21,962,111	42,518,006
DEFERRED OUTFLOWS OF RESOURCES	-	-	-

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	107,564	14,615	122,179
Accrued Interest Payable	-	19,262	19,262
Current Portion of Loans Payable	-	258,393	258,393
TOTAL CURRENT LIABILITIES	107,564	292,270	399,834
NON-CURRENT LIABILITIES			
Accounts Payable	23,858	-	23,858
Loans Payable	-	2,265,087	2,265,087
TOTAL NON-CURRENT LIABILITIES	23,858	2,265,087	2,288,945
TOTAL LIABILITIES	131,422	2,557,357	2,688,779
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net Investment in Capital Assets	17,266,238	17,865,449	35,131,687
Restricted	187,746	444,635	632,381
Unrestricted	2,970,489	1,094,670	4,065,159
TOTAL NET POSITION	\$ 20,424,473	\$ 19,404,754	\$ 39,829,227

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 1,028,990	\$ 69,977	\$ -	\$ 17,225	\$ (941,788)	\$ -	\$ (941,788)
Public Safety	52,207	-	-	35,000	(17,207)	-	(17,207)
Public Works, Recreation, and Parks	1,852,777	199,810	186,569	211,361	(1,255,037)	-	(1,255,037)
Total Governmental Activities	2,933,974	269,787	186,569	263,586	(2,214,032)	-	(2,214,032)
Business-Type Activities							
Water and Sewer Services	2,299,733	1,262,435	-	250,328	-	(786,970)	(786,970)
Total Business-Type Activities	2,299,733	1,262,435	-	250,328	-	(786,970)	(786,970)
TOTAL PRIMARY GOVERNMENT	\$ 5,233,707	\$ 1,532,222	\$ 186,569	\$ 513,914	(2,214,032)	(786,970)	(3,001,002)
GENERAL REVENUES							
Taxes							
Income Taxes					1,331,620	-	1,331,620
Real Estate Taxes					1,435,874	-	1,435,874
Personal Property Taxes					68,077	-	68,077
Impact and Tap Fees					67,371	217,251	284,622
Grants, Contributions, and Franchise Fees Not							
Restricted to Specific Programs					294,366	-	294,366
Interest Income and Rents					217,556	18,417	235,973
Net Transfers					(644,818)	644,818	-
Miscellaneous					6,070	13,879	19,949
TOTAL GENERAL REVENUES					2,776,116	894,365	3,670,481
CHANGES IN NET POSITION							
Net Position - Beginning of Year					19,862,389	19,297,359	39,159,748
NET POSITION - END OF YEAR					\$ 20,424,473	\$ 19,404,754	\$ 39,829,227

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Cash and Cash Equivalents	\$ 263,823	\$ 263,823
Pooled Investments	2,604,512	2,604,512
Pooled Investments - Restricted	187,746	187,746
Accounts Receivable	30,679	30,679
Taxes Receivable	115,849	115,849
Due from Other Governments	11,202	11,202
TOTAL ASSETS	<u>3,213,811</u>	<u>3,213,811</u>
 DEFERRED OUTFLOWS OF RESOURCES		
	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 3,213,811</u></u>	<u><u>\$ 3,213,811</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 55,576	\$ 55,576
TOTAL LIABILITIES	<u>55,576</u>	<u>55,576</u>
 DEFERRED INFLOWS OF RESOURCES		
	-	-
 FUND BALANCES		
Restricted	187,746	187,746
Assigned	2,026,127	2,026,127
Unassigned	944,362	944,362
TOTAL FUND BALANCES	<u>3,158,235</u>	<u>3,158,235</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 3,213,811</u></u>	<u><u>\$ 3,213,811</u></u>

See Accompanying Notes

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

JUNE 30, 2018

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 3,158,235
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not available financial resources and, therefore, are not reported in the fund financial statements.	17,342,084
Long-term liabilities, including current and non-current portion, are not due and payable in the current period, and therefore, are not reported in the fund financial statements.	<u>(75,846)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 20,424,473</u></u>

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, 2018

	General Fund	Total Governmental Funds
REVENUES		
Taxes	\$ 2,844,440	\$ 2,844,440
Intergovernmental	416,227	416,227
Charges for Services	313,101	313,101
Licenses and Permits	88,765	88,765
Interest Income and Rents	217,556	217,556
Miscellaneous	21,070	21,070
TOTAL REVENUES	3,901,159	3,901,159
EXPENDITURES		
General Government	1,403,724	1,403,724
Public Safety	26,326	26,326
Public Works	598,241	598,241
Recreation and Parks	149,222	149,222
Capital Outlays	323,337	323,337
TOTAL EXPENDITURES	2,500,850	2,500,850
EXCESS OF REVENUES OVER EXPENDITURES	1,400,309	1,400,309
OTHER FINANCING SOURCES (USES)		
Proceeds from Sale of Capital Assets	1,500	1,500
Net Transfers	(644,818)	(644,818)
TOTAL OTHER FINANCING SOURCES (USES)	(643,318)	(643,318)
NET CHANGES IN FUND BALANCES	756,991	756,991
Fund Balances - Beginning of Year	2,401,244	2,401,244
FUND BALANCES - END OF YEAR	\$ 3,158,235	\$ 3,158,235

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, 2018

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 756,991
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Add: Capital Outlays	323,337
Less: Depreciation Expense	(750,641)
<p>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.</p>	
	(8,869)
<p>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.</p>	
	248,586
<p>In the statement of activities, only the loss on the disposal of capital assets is reported, whereas, in the governmental funds, the proceeds from the disposals increase financial resources. Thus the change in net position differs from the change in fund balance by the net book value of the capital assets.</p>	
	<u>(7,320)</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 562,084</u>

See Accompanying Notes

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

JUNE 30, 2018

	Water and Sewer Fund	Total Proprietary Funds
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,956	\$ 6,956
Pooled Investments	672,553	672,553
Pooled Investments - Restricted	83,990	83,990
Accounts Receivable	67,784	67,784
Grants Receivable	24,151	24,151
Unbilled Services	318,965	318,965
Inventory	32,003	32,003
Current Portion of Note Receivable	1,017	1,017
TOTAL CURRENT ASSETS	1,207,419	1,207,419
NON-CURRENT ASSETS		
Note Receivable	5,118	5,118
Pooled Investments - Restricted	360,645	360,645
Property and Equipment		
Construction in Progress	516,634	516,634
Land and Land Rights	119,429	119,429
Equipment	712,548	712,548
Infrastructure	36,695,749	36,695,749
Vehicles	100,751	100,751
	38,145,111	38,145,111
Less: Accumulated Depreciation	17,756,182	17,756,182
Net Property and Equipment	20,388,929	20,388,929
TOTAL NON-CURRENT ASSETS	20,754,692	20,754,692
TOTAL ASSETS	21,962,111	21,962,111
DEFERRED OUTFLOWS OF RESOURCES	-	-

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Water and Sewer Fund</u>	<u>Total Proprietary Funds</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	14,615	14,615
Accrued Interest Payable	19,262	19,262
Current Portion of Loans Payable	258,393	258,393
TOTAL CURRENT LIABILITIES	<u>292,270</u>	<u>292,270</u>
NON-CURRENT LIABILITIES		
Loans Payable	2,265,087	2,265,087
TOTAL NON-CURRENT LIABILITIES	<u>2,265,087</u>	<u>2,265,087</u>
TOTAL LIABILITIES	<u>2,557,357</u>	<u>2,557,357</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	17,865,449	17,865,449
Restricted	444,635	444,635
Unrestricted	1,094,670	1,094,670
TOTAL NET POSITION	<u><u>\$ 19,404,754</u></u>	<u><u>\$ 19,404,754</u></u>

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, 2018

	<u>Water and Sewer Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES		
Charges for Services	\$ 1,262,435	\$ 1,262,435
OPERATING EXPENSES		
Water		
Personnel Services	226,963	226,963
Outside Services and Testing	17,302	17,302
Utilities and Chemicals	80,199	80,199
Repairs and Maintenance	55,161	55,161
Administrative and General	172,786	172,786
	<u>552,411</u>	<u>552,411</u>
Sewer		
Personnel Services	226,640	226,640
Sludge Hauling	125,057	125,057
Outside Services and Testing	57,342	57,342
Utilities and Chemicals	204,017	204,017
Repairs and Maintenance	89,410	89,410
Administrative and General	112,826	112,826
	<u>815,292</u>	<u>815,292</u>
Inflow and Infiltration	<u>14,801</u>	<u>14,801</u>
Depreciation	<u>854,042</u>	<u>854,042</u>
TOTAL OPERATING EXPENSES	<u>2,236,546</u>	<u>2,236,546</u>
OPERATING LOSS	<u>(974,111)</u>	<u>(974,111)</u>
NON-OPERATING REVENUES (EXPENSES)		
Grant Income	24,151	24,151
Impact and Tap Fees	217,251	217,251
Interest Expense and Other Costs	(63,187)	(63,187)
Interest Income	18,417	18,417
Gain on Disposal of Assets	3,224	3,224
Other Revenues	10,655	10,655
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>210,511</u>	<u>210,511</u>

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, 2018

	<u>Water and Sewer Fund</u>	<u>Total Proprietary Funds</u>
NET LOSS BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(763,600)	(763,600)
Net Transfers	644,818	644,818
Capital Contributions	226,177	226,177
CHANGES IN NET POSITION	107,395	107,395
Net Position - Beginning of Year	19,297,359	19,297,359
NET POSITION - END OF YEAR	<u>\$ 19,404,754</u>	<u>\$ 19,404,754</u>

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Water and Sewer Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows		
Cash Received from Customers	\$ 1,239,473	\$ 1,239,473
Other Receipts	10,655	10,655
	<u>1,250,128</u>	<u>1,250,128</u>
Outflows		
Cash Paid to Suppliers	882,370	882,370
Cash Paid to Employees	453,603	453,603
	<u>1,335,973</u>	<u>1,335,973</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(85,845)</u>	<u>(85,845)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Inflows		
Impact and Tap Fees	<u>217,251</u>	<u>217,251</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>217,251</u>	<u>217,251</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows		
Interest Received	<u>18,045</u>	<u>18,045</u>
Outflows		
Purchase of Investments	<u>215,091</u>	<u>215,091</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(197,046)</u>	<u>(197,046)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(65,640)</u>	<u>(65,640)</u>
Cash and Cash Equivalents - Beginning of Year	<u>72,596</u>	<u>72,596</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,956</u>	<u>\$ 6,956</u>

See Accompanying Notes

THE TOWN OF POOLESVILLE, MARYLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Water and Sewer Fund	Total Proprietary Funds
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (974,111)	\$ (974,111)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	854,042	854,042
Other Revenues	10,655	10,655
Operating Expenses Paid by the General Fund	142,159	142,159
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	(11,807)	(11,807)
Unbilled Services	(11,155)	(11,155)
Inventory	980	980
Decrease in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Expenses	(68,063)	(68,063)
Due to Other Governments	(28,545)	(28,545)
NET CASH USED BY OPERATING ACTIVITIES	\$ (85,845)	\$ (85,845)
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
The Town recognized water and sewer related infrastructure contributed by developers	\$ 204,927	\$ 204,927
The General Fund recognized transfers to subsidize Water and Sewer Fund capital asset and related expenditures	\$ 183,312	\$ 183,312
The General Fund recognized transfers to subsidize Water and Sewer Fund debt service payments	\$ 319,347	\$ 319,347

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 Pronouncement Adopted

The following summarizes a GASB Statement implemented by the Town during the year ended June 30, 2018 and the relating effects on the financial statements presentation and disclosure, as applicable:

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period - The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of construction period to be expensed in the period incurred and not capitalized as historical cost of project. The provisions of this statement are effective for periods beginning after December 15, 2019 and were early implemented by the Town as of July 1, 2017 with no effect on the financial statements presentation or disclosure.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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 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.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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 balance/net position, 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 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 OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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 inflows of resources by the recipient.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Cash and Cash Equivalents

The Town considers all highly liquid investments, with an initial maturity of three months or less 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.

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 acquisition 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

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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 acquisition 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.

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.

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:

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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 governmental 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, debt holders, and higher levels of government), through constitutional provisions, or by enabling legislation.

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. 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.

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

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

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned fund balances are available for use, it is the Town's policy to use fund balances in the following order: 1) committed, 2) assigned, 3) unassigned.

The Town has an approved fund balance policy that established a stabilization arrangement to alleviate significant unanticipated budget shortfalls. The arrangement requires a stabilization amount of at least 17.5% of the budgeted General Fund revenues. The conditions under which stabilization amounts are intended to be spent are to address unanticipated, non-recurring needs, or known and planned future obligations, and require a majority approval of the Commissioners for use. Any reduction of the stabilization amount below the minimum 17.5% requirement are to include a financial plan to restore the reserve to the minimum level. As of June 30, 2018, the stabilization balance (reported as a component of unassigned fund balance in the General Fund) was \$608,734. The Town has maintained compliance with the stabilization policy.

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, 2018. 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"*).

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 18, 2018, the date the financial statements were available to be issued.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Note 2. Deposits and Investments

The deposits and investments held as of June 30, 2018 are as follows:

<u>Type</u>	<u>Rating/ Interest Rate (Unaudited)</u>	<u>Maturities (Unaudited)</u>	<u>Carrying Value</u>
Deposits			
Demand Deposits			\$ 270,779
Investments			
Montgomery County Pooled Investment Program	Unrated / 1.71%	97 Days Average	<u>3,909,446</u>
Total Deposits and Investments			<u>\$ 4,180,225</u>

The reconciliation to the statement of net position as of June 30, 2018 is as follows:

Current Assets		
Cash and Cash Equivalents		
Unrestricted		\$...270,779
Pooled Investments		
Unrestricted		3,277,065
Restricted		<u>205,569</u>
Total Pooled Investments		...3,482,634
Total Current Assets		...3,753,413
Non-Current Assets		
Pooled Investments - Restricted		<u>426,812</u>
Total Non-Current Assets	426,812
		<u>\$ 4,180,225</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.

During the year, MCPIP investments are stated at cost plus accrued interest and are adjusted for amortization of premiums and accretion of discounts. Investments are marked-to-market at year-end, since the pool does not meet the strict definition of the Securities and Exchange Commission Rule 2a-7 ("2a-7 like"). The fair value of U.S. Government securities, repurchase agreements, commercial paper and bankers' acceptances are provided by the County's custodian, which are based on various industry standard pricing sources.

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

The fair value of the pool is the same as the value of the pool shares. The Town may withdraw funds from the pool at any time without penalty. The Town’s shares redeemed during the year are based on actual cost and are then adjusted to fair value at year-end.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Town’s investment in the MCPIP of \$3,909,446 is valued using quoted market prices of the underlying assets of the pool (Level 2 inputs). The Town has no investments categorized as Level 1 or Level 3.

Restricted cash and investments as of June 30, 2018 are as follows:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>
Current Assets		
Pooled Investments - Restricted		
Public Facilities	\$ 61,579	\$ -
Reforestation	60,000	-
Wells	<u>-</u>	<u>83,990</u>
Total Pooled Investments - Restricted	<u>121,579</u>	<u>83,990</u>
Total Current Assets	<u>\$ 121,579</u>	<u>\$ 83,990</u>
Non-Current Assets		
Pooled Investments - Restricted		
Development Proffers	\$ -	\$ 47,500
Reforestation	66,167	-
Sewer Connection Fees	-	6,348
Wells	<u>-</u>	<u>306,797</u>
Total Pooled Investments - Restricted	<u>66,167</u>	<u>360,645</u>
Total Non-Current Assets	<u>\$ 66,167</u>	<u>\$ 360,645</u>

The Town’s formal investment policy follows the Maryland State Finance and Procurement Code Ann. § 6-222 (the “Code”). The Code authorizes the Town to invest in obligations of the United States and related agencies, repurchase agreements of United States obligations, certain bankers’ acceptances, bonds, and commercial paper with the highest letter and numerical rating by at least one nationally recognized statistical rating organization, money market mutual funds operated in accordance with Rule 2A-7 of the ICA of 1940, and any investment portfolio created under the Maryland Local Government Investment Pool (MLGIP).

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Custodial Credit Risk

Deposits in financial institutions, reported as components of non-pooled cash and cash equivalents, had a bank balance of \$664,092 as of June 30, 2018, \$414,092 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.

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, 2018 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, 2018 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, 2018, the Town had no concentration of credit risk.

Note 3. Capital Assets and Depreciation

A summary of governmental activities follows:

	Balance July 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2018</u>
Capital Assets				
Non-Depreciable Assets				
Construction in Progress	\$ 7,968	\$ 165,129	\$ -	\$ 173,097
Land and Land Rights	<u>2,600,931</u>	<u>-</u>	<u>-</u>	<u>2,600,931</u>
Total Non-Depreciable Assets	<u>2,608,899</u>	<u>165,129</u>	<u>-</u>	<u>2,774,028</u>
Depreciable Assets				
Buildings and Improvements	6,044,264	73,826	-	6,118,090
Equipment	1,699,520	56,649	65,645	1,690,524
Infrastructure	18,300,385	196,361	-	18,496,746
Vehicles	<u>376,885</u>	<u>53,724</u>	<u>-</u>	<u>430,609</u>
Total Depreciable Assets	<u>26,421,054</u>	<u>380,560</u>	<u>65,645</u>	<u>26,735,969</u>
Total Capital Assets	<u>29,029,953</u>	<u>545,689</u>	<u>65,645</u>	<u>29,509,997</u>

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Accumulated Depreciation				
Buildings and Improvements	1,887,875	238,694	-	2,126,569
Equipment	1,145,798	114,375	58,325	1,201,848
Infrastructure	8,128,109	371,781	-	8,499,890
Vehicles	<u>313,815</u>	<u>25,791</u>	-	<u>339,606</u>
Total Accumulated Depreciation	<u>11,475,597</u>	<u>750,641</u>	<u>58,325</u>	<u>12,167,913</u>
Total Capital Assets, Net	<u>\$ 17,554,356</u>	<u>\$ (204,952)</u>	<u>\$ 7,320</u>	<u>\$ 17,342,084</u>

Depreciation expense for the year ended June 30, 2018 was charged to governmental activities functions as follows:

General Government	\$ 180,794
Public Safety	25,881
Public Works, Recreation and Parks	<u>543,966</u>
	<u>\$ 750,641</u>

Accumulated costs attributable to governmental activities projects included in construction in progress as of June 30, 2018 are as follows:

Carpet for Meeting Room	\$ 2,500
Fisher Avenue Streetscape	21,514
Storage Building Addition	6,870
Street Light Program	37,065
Whalen Pathway	<u>105,148</u>
	<u>\$ 173,097</u>

A summary of business-type activities follows:

	Balance July 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2018</u>
Capital Assets				
Non-Depreciable Assets				
Construction in Progress	\$ 434,238	\$ 82,396	\$ -	\$ 516,634
Land and Land Rights	<u>119,429</u>	<u>-</u>	<u>-</u>	<u>119,429</u>
Total Non-Depreciable Assets	<u>553,667</u>	<u>82,396</u>	<u>-</u>	<u>636,063</u>
Depreciable Assets				
Equipment	733,610	12,457	33,519	712,548
Infrastructure	36,443,637	320,986	68,874	36,695,749
Vehicles	<u>124,278</u>	<u>-</u>	<u>23,527</u>	<u>100,751</u>
Total Depreciable Assets	<u>37,301,525</u>	<u>333,443</u>	<u>125,920</u>	<u>37,509,048</u>
Total Capital Assets	<u>37,855,192</u>	<u>415,839</u>	<u>125,920</u>	<u>38,145,111</u>

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

Accumulated Depreciation				
Equipment	600,226	89,069	33,519	655,776
Infrastructure	16,313,021	757,038	67,098	17,002,961
Vehicles	<u>113,037</u>	<u>7,935</u>	<u>23,527</u>	<u>97,445</u>
Total Accumulated Depreciation	...17,026,284	...854,042	..124,144	...17,756,182
Total Capital Assets, Net	<u>\$ 20,828,908</u>	<u>\$ (438,203)</u>	<u>\$ 1,776</u>	<u>\$ 20,388,929</u>

Depreciation expense for the year ended June 30, 2018 charged to business-type activities for the Water and Sewer Fund totaled \$854,042.

Accumulated costs attributable to business-type activities projects included in construction in progress as of June 30, 2018 are as follows:

Alum Feed System	\$ 990
Enhanced Nutrient Removal System	24,151
Hunter's Run Pump Station	30,181
Jamison Cattail Well	87,169
Rabanales Well #11	315,886
Westerly Well #14	<u>58,257</u>
	<u>\$ 516,634</u>

Note 4. Long-Term Liabilities

Loans payable as of June 30, 2018 consists of the following for business-type activities:

2004 Water Quality Loan (State of Maryland) - Wastewater Treatment Plant/Biological Nutrient Removal Upgrade; due in remaining annual principal installments ranging from \$68,554 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.	\$ 422,804
2006 Water Quality Loan (State of Maryland) - Wesmond Sewer Rehabilitation Project Phases III-V; due in remaining annual principal installments ranging from \$75,707 to \$77,916, through February 2021; annual interest rate of 1.0% paid semi-annually; secured by the credit and taxing power of the Town.	230,768
2013 Water Quality Loan (State of Maryland) - Westerly Subdivision Relining; due in remaining annual principal installments ranging from \$112,694 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>1,869,908</u>
Total Loans Payable	<u>\$ 2,523,480</u>

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

<u>Type of Long-Term Liability</u>	Balance July 1, 2017	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2018	Due Within One Year
Governmental Activities					
Accounts Payable	\$ 102,080	\$ 9,379	\$ 35,613	\$ 75,846	\$ 51,988
Total Governmental Activities	<u>\$ 102,080</u>	<u>\$ 9,379</u>	<u>\$ 35,613</u>	<u>\$ 75,846</u>	<u>\$ 51,988</u>
Business-Type Activities					
Accounts Payable	\$ 17,075	\$ -	\$ 17,075	\$ -	\$ -
Loans Payable					
State of Maryland - 2004	490,612	-	67,808	422,804	68,554
State of Maryland - 2006	307,149	-	76,381	230,768	77,145
State of Maryland - 2013	<u>1,980,284</u>	<u>-</u>	<u>110,376</u>	<u>1,869,908</u>	<u>112,694</u>
Total Loans Payable	<u>2,778,045</u>	<u>-</u>	<u>254,565</u>	<u>2,523,480</u>	<u>258,393</u>
Total Business-Type Activities	<u>\$ 2,795,120</u>	<u>\$ -</u>	<u>\$ 271,640</u>	<u>\$ 2,523,480</u>	<u>\$ 258,393</u>

The accounts payable noted in the schedules above for governmental activities represent specific liabilities of \$66,467 that span over a one-year period and will be paid from future impact fee collections from the Kettler development, and retainage payable of \$9,379 related to Whalen Commons Trail Replacement project, which will be completed during 2019.

Interest and related costs incurred for business-type activities for the year ended June 30, 2018 were \$63,187.

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

Year Ending June 30,	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 258,393	\$ 46,227
2020	262,285	42,374
2021	263,255	38,376
2022	190,785	34,382
2023	194,085	31,083
2024-2028	724,397	108,619
2029-2033	<u>630,280</u>	<u>36,429</u>
	<u>\$ 2,523,480</u>	<u>\$ 337,490</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, 2018, \$644,818 net was transferred from the General Fund to the Water and Sewer Fund, of which \$325,471 was for current year capital and related expenditures and \$319,347 was for current year debt service payments.

Note 6. Net Position and Fund Balances

The following is a summary of restricted net position and fund balances as of June 30, 2018:

General Fund	
Public Facilities	\$ 61,579
Reforestation	<u>126,167</u>
Total General Fund	<u>\$ 187,746</u>
Water and Sewer Fund	
Development Proffers	\$ 47,500
Sewer Connection Fees	6,348
Wells	<u>390,787</u>
Total Water and Sewer Fund	<u>\$ 444,635</u>

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.

Public Facilities - Investments derived from impact fees are restricted to expenditures for public facilities imposed by enabling legislation.

Reforestation Fees - Investments derived from reforestation fees are restricted for greenscape projects.

Sewer Connection Fees - A fee paid to the Town, normally when applying for a Building Permit, to help offset the capital costs of new treatment facilities, major water distribution lines, elevated storage tanks, sanitary sewer capacity expansion improvements, etc.

Wells - Investments derived from impact fees are restricted to expenditures for wells imposed by enabling legislation.

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, 2018:

Economic Development	\$ 3,205
General Fund Capital Projects	863,081
Public Safety	49,853
Recreation	51,830
Water and Sewer Fund Capital Projects	<u>1,058,158</u>
	<u>\$ 2,026,127</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, 2018 were \$0.1756 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:

2019	\$ 190,615
2020	99,782
2021	49,883
2022	51,878
2023	<u>49,293</u>
	<u>\$ 441,451</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 401(a) government plan, in accordance with Internal Revenue Code (IRC) Section 414(d), and a deferred compensation plan, in accordance with IRC Section 457(b). The Town's plans are available to all full-time employees. The 401(a) plan has sixteen active participants as of June 30, 2018. The 457(b) has one active participant as of June 30, 2018.

The 401(a) plan permits the Town to contribute 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 \$106,866 under the 401(a) plan during the year ended June 30, 2018.

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 \$18,500, and up to an additional \$6,000 catch-up for employees age 50 or over, or 100% of their includable salaries over the plan year.

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 Administrator, AXA Equitable, is the trustee of the investments.

Note 10. 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, 2018, 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

THE TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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

A balance of \$66,467 is related to costs incurred by the developers as of June 30, 2018 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.

In June 2015, the Supreme Court of the United States affirmed its ruling on docket 13-485 (*Maryland State Comptroller of the Treasury v. Brian Wynne*) ("Wynne decision") regarding income tax credits received by Maryland residents for taxes paid to other states. This ruling is expected to impact future income tax appropriations to the Town. As of July 21, 2016, the Comptroller of Maryland has determined that the Town's future income tax appropriations will be reduced by \$27,185. The Town will take the option to reduce future income tax appropriations over 20 quarterly reductions, from May 2019 through February 2024.

Note 11. 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 TOWN OF POOLESVILLE, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS

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.

Premiums are charged to the Town, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments during the year ended June 30, 2018, and the amount of settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Note 12. 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 13. New Governmental Accounting Standards Board Pronouncements

The GASB has issued several pronouncements prior to the year ended June 30, 2018 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statement may have on the financial statements of the Town:

GASB Statement No. 87, *Leases*, will be effective for the Town as of July 1, 2020. The objective of this statement is to improve accounting and financial reporting for leases by governments, by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The implementation of this statement is expected to have a significant effect on the Town's financial statements in the year of implementation; however, the effects of said implementation are not yet quantifiable.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, will be effective for the Town as of July 1, 2018. The objective of this statement is to improve financial statement disclosures related to debt, including direct borrowings and direct placements, and it clarifies which liabilities governments should include when disclosing information related to debt. The effects of said implementation are not yet quantifiable by management.

REQUIRED SUPPLEMENTARY INFORMATION

THE TOWN OF POOLESVILLE, MARYLAND
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	\$ 2,822,196	\$ 2,821,922	\$ 2,844,440	\$ 22,518
Intergovernmental	396,038	416,128	416,227	99
Charges for Services	65,750	313,539	313,101	(438)
Licenses and Permits	50,000	90,956	88,765	(2,191)
Interest Income and Rents	187,000	210,349	217,556	7,207
Miscellaneous	10,744	45,379	21,070	(24,309)
TOTAL REVENUES	3,531,728	3,898,273	3,901,159	2,886
EXPENDITURES				
General Government	1,394,237	1,398,848	1,403,724	(4,876)
Public Safety	28,000	26,326	26,326	-
Public Works	693,050	558,537	598,241	(39,704)
Recreation and Parks	93,500	149,146	149,222	(76)
Capital Outlays	420,826	329,564	323,337	6,227
TOTAL EXPENDITURES	2,629,613	2,462,421	2,500,850	(38,429)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	902,115	1,435,852	1,400,309	(35,543)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	-	1,500	1,500
Net Transfers	(431,963)	(585,842)	(644,818)	(58,976)
TOTAL OTHER FINANCING SOURCES (USES)	(431,963)	(585,842)	(643,318)	(57,476)
NET CHANGES IN FUND BALANCE	470,152	850,010	756,991	(93,019)
Fund Balance - Beginning of Year	2,401,244	2,401,244	2,401,244	-
FUND BALANCE - END OF YEAR	\$2,871,396	\$3,251,254	\$3,158,235	\$ (93,019)