

TOWN OF CENTREVILLE, MARYLAND

**Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended June 30, 2008



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

JUNE 30, 2008

TABLE OF CONTENTS

Report of Independent Public Accountants	1
Management’s Discussion and Analysis	3
Financial Statements	
Statement of Net Assets	16
Statement of Activities	17
Balance Sheet – Governmental Fund	19
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Assets	20
Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Assets – Proprietary Fund	23
Statement of Revenue, Expenses, and Changes in Fund Net Assets – Proprietary Fund	24
Statement of Cash Flows – Proprietary Fund	25
Notes to the Financial Statements	26
Required Supplementary Information	
Schedule of Revenue, Expenditures, and Change in Fund Balance – Budget and Actual – General Fund	43
Other Financial Information	
Supplemental Balance Sheet – General Fund	47
Supplemental Statement of Revenue, Expenditures, and Changes in Fund Balances – General Fund	48
Schedule of Revenue, Expenses, and Change in Net Assets – Enterprise Fund	49



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Town Council of Centreville
Centreville, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Centreville, Maryland (the Town), as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We have audited the adjustment described in Note 13 that was applied to restate the statement of net assets as of June 30, 2007. In our opinion, such adjustment is appropriate and has been properly applied.

The Management's Discussion and Analysis and the Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund as listed in table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The Supplemental Balance Sheet – General Fund, Supplemental Statement of Revenues, Expenditures and Change in Fund Balances and the supplemental Schedule of Revenue, Expenses and Changes in Net Assets – Enterprise Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Hunt Valley, Maryland
March 9, 2009

THE TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2008

This section of the Town of Centreville's (the Town) annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2008. Readers are encouraged to consider the information presented here in conjunction with the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$34.1 million (*net assets*). Of this amount, \$6.9 million (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors for governmental activities.
- The Town's total net assets increased by \$1.7 million. This increase is attributable to effective cost management despite revenue decreasing. Business-type activities have increased \$1.0 million while governmental activities saw an increase of \$0.7 million.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7.1 million, a decrease of \$0.5 million in comparison with the prior year. Most of this decrease is the result of general obligation bonds issued in FY2007.
- At the end of the current fiscal year, the unreserved undesignated fund balance for the general fund was \$3.5 million or 101 percent of total general fund expenditures.
- The Town's total net debt decreased by \$0.4 million through normal principal payments to a yearend balance of \$4.2 million, which is well below our legal debt limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents combining statements. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the water and sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about certain governmental funds, each of which is added together

THE TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS *(continued)*

and presented as the general fund in the basic financial statements. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Financial Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net assets and how they have changed. Net assets (the difference between the Town's assets and liabilities) are one way to measure the Town's financial health or position. Over time, increases or decreases in the Town's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Town, you need to consider additional non-financial factors such as changes in the Town's property tax base.

In the government-wide financial statements, the Town's activities are divided into two categories:

- Governmental activities - Most of the Town's basic services are included here, such as the police, fire, public works, parks and recreation, cemetery and general administration. Property taxes and state and Federal grants finance most of these activities.
- Business-type activities - The Town charges fees to customers to help cover the costs of certain services it provides. The Town's water and sewer system are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's funds, focusing on its most significant or "major" funds, not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The Town Council establishes other funds to control and manage money for particular purposes (such as the Investment Fund) or to show that it is properly using certain taxes and grants.

The Town has two kinds of funds:

- Governmental funds - Most of the Town's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a short-term view that helps you determine where there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in the form of reconciliation statements that explains the relationship

THE TOWN OF CENTREVILLE, MARYLAND

**Management’s Discussion and Analysis
June 30, 2008**

Fund Financial Statements (continued)

(or differences) between them. In addition, the Town has a permanent fund that is restricted by the Town Council and Town Charter.

- Proprietary funds - Services for which the Town charges customers a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. In fact, the Town’s enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE TOWN AS WHOLE

**Table A-1
Condensed Statements of Net Assets
As of June 30, 2008 and 2007
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total Government	
	2008	2007 (restated)	2008	2007	2008	2007 (restated)
Assets						
Current and other assets	\$ 7,935	\$ 7,999	\$ 7,336	\$ 7,085	\$ 15,271	\$ 15,084
Capital assets, net	8,044	6,950	19,402	16,352	27,446	23,302
Total Assets	<u>15,979</u>	<u>14,949</u>	<u>26,738</u>	<u>23,437</u>	<u>42,717</u>	<u>38,386</u>
Liabilities						
Other liabilities	926	461	1,883	897	2,809	1,358
Long-term debt outstanding	1,992	2,080	3,861	2,513	5,853	4,593
Total Liabilities	<u>2,918</u>	<u>2,541</u>	<u>5,744</u>	<u>3,410</u>	<u>8,662</u>	<u>5,951</u>
Net Assets						
Invested in capital assets, net of related debt	5,925	4,869	15,096	13,839	21,021	18,708
Restricted	6,113	4,044	-	-	6,113	4,044
Unrestricted	1,023	3,495	5,898	6,188	6,921	9,683
Total Net Assets	<u>\$ 13,061</u>	<u>\$ 12,408</u>	<u>\$ 20,994</u>	<u>\$ 20,027</u>	<u>\$ 34,055</u>	<u>\$ 32,435</u>

An additional portion of the Town’s net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Town’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets for the government as a whole as well as for its separate governmental activities and business-type activities. The same situation held true for the prior fiscal year.

THE TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2008

FINANCIAL ANALYSIS OF THE TOWN AS WHOLE *(continued)*

Table A-2
Condensed Statements of Activities
For the Years Ended June 30, 2008 and 2007
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Government	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue:						
Charges for services	\$ 607	\$ 649	\$ 2,154	\$ 2,374	\$ 2,761	\$ 3,023
Operating grants and contributions	682	404	-	-	682	404
Capital grants and contributions	-	1,506	179	3,217	179	4,723
General Revenue:						
Property taxes	1,787	1,611	-	-	1,787	1,611
Income taxes	344	300	-	-	344	300
Other	316	290	154	112	470	402
Total Revenue	3,736	4,760	2,487	5,703	6,223	10,463
Program Expenses						
General Government	614	671	-	-	614	671
Public safety	929	831	-	-	929	831
Public works	1,002	900	-	-	1,002	900
Parks, recreation and culture	98	93	-	-	98	93
Cemetery	106	94	-	-	106	94
Watershed preservation	192	86	-	-	192	86
Centreville wharf	2	-	-	-	2	-
Interest on long-term debt	139	-	-	-	139	-
Enterprise expenses:						
Water services	-	-	539	330	539	330
Sewer services	-	-	979	806	979	806
Farm services	-	-	1	12	1	12
Total Program Expenses	3,082	2,675	1,519	1,148	4,601	3,823
Change in net assets	654	2,085	968	4,555	1,622	6,640
Net asset, beginning of year as previously reported	12,329	10,244	20,027	15,472	32,356	25,716
Effect of restatement	78	-	-	-	78	-
Net assets, beginning of year, as restated	12,407	10,244	20,027	15,472	32,434	25,716
Net Assets, End of Year	\$ 13,061	\$ 12,329	\$ 20,995	\$ 20,027	\$ 34,056	\$ 32,356

THE TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2008

FINANCIAL ANALYSIS OF THE TOWN AS WHOLE *(continued)*

Governmental Activities

Revenue from the Town's governmental activities was \$3.7 million, while total expenses were \$3.1 million. Table A-3 presents the cost of each of the Town's seven largest services: general government, public safety, public works, parks and recreation, cemetery, watershed preservation and Centreville wharf, as well as, each service's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these services.

- The cost of all governmental activities this year was \$3.1 million. Some of that cost was financed by:
 - Those who directly benefited from the programs (\$0.6 million).
 - Other governments and organizations that subsidized certain programs with grants and contributions (\$0.7 million).
- The Town financed the remaining \$1.8 million "public benefit" portion of governmental activities with \$ 2.1 million in taxes.

Table A-3
Net Cost of Centreville's Government Activities
(in thousands of dollars)

	<u>Total Cost of Services</u>		<u>Net Cost (Surplus) of Services</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General government	\$ 614	\$ 671	\$ (337)	\$ (50)
Public safety	929	831	863	768
Public works	1,002	900	770	683
Parks and recreation	98	93	98	93
Cemetery	106	94	67	42
Watershed preservation	192	86	192	86
Centreville wharf	2	-	2	-
Total	<u>\$ 2,943</u>	<u>\$ 2,675</u>	<u>\$ 1,655</u>	<u>\$ 1,622</u>

Business-type Activities

Revenue from the Town's business-type activities was \$2.5 million and expenses were \$1.5 million (Refer to Table A-2.) Factors contributing to these results included:

- The cost of sewer, water and farm activities were within the budgets established for 2008.
- Surplus funds will be consumed in future years by principal repayment and interest expenses on the debt incurred to finance the plant as well as infrastructure depreciation.

THE TOWN OF CENTREVILLE, MARYLAND

**Management's Discussion and Analysis
June 30, 2008**

FINANCIAL ANALYSIS OF THE TOWN AS WHOLE (continued)

**Table A-4
Revenues Classified by Source
General Fund
For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>Percent of Total</u>	<u>2007</u>	<u>Percent of Total</u>
Revenues and Other Financing Sources				
General property taxes	\$ 1,833,758	48.8%	\$ 1,657,796	32.1%
Other local taxes	297,518	7.9	253,977	4.9
Permits and licenses	139,608	3.7	176,091	3.4
Charges for services	482,457	12.8	419,988	8.1
Intergovernmental	681,960	18.3	403,820	7.8
Loan proceeds	91,600	2.4	2,000,000	38.7
Miscellaneous	120,196	3.2	151,437	2.9
Operating transfers	110,000	2.9	110,000	2.1
Total Revenues and Other Financing Sources	<u>\$ 3,757,097</u>	<u>100.0%</u>	<u>\$ 5,173,109</u>	<u>100.0%</u>

**Table A-5
Expenditures by Function
General Fund
For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>Percent of Total</u>	<u>2007</u>	<u>Percent of Total</u>
Expenditures				
Current operations:				
General government administration	\$ 598,889	17.3%	\$ 625,288	13.7%
Public safety	899,525	25.6	780,810	17.2
Public works	730,374	20.9	699,659	15.4
Parks and recreation	89,720	2.6	81,756	1.8
Cemetery	106,770	3.0	92,445	2.0
Watershed preservation	191,553	5.5	85,988	1.9
Centreville wharf	1,722	0.1	-	-
Capital outlay	539,293	15.3	2,152,372	48.0
Debt service:				
Principal	124,867	3.6	-	-
Interest	212,433	6.1	-	-
Total Expenditures	<u>\$ 3,495,146</u>	<u>100.0%</u>	<u>\$ 4,518,318</u>	<u>100.0%</u>

THE TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2008

General Fund Budgetary Highlights

Over the course of the year, the Town Council revised the Town budget. Current and prior budget amendments have occurred that fall into two categories:

- Amendments and supplemental appropriations approved shortly after the beginning of the year to reflect the actual beginning account balances (correcting the estimated amounts in the budget adopted in the previous year).
- Increases in appropriations to prevent budget overruns.

Reappropriation of fiscal year 2008 budgeted funds included, increases to police department for building improvements, municipal government office technology upgrades, and the Town purchased the Railroad Avenue property. The Town decreased several areas of the budget including parks and recreation for various capital projects and improvements and the municipal government office reduced temporary and contractual services based on a reassessment of services for a total decrease of \$46 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's total investment in capital assets, including construction in progress for its governmental and business type activities amounts to \$27.2 million and \$23.1 million, as of June 30, 2008 and June 30, 2007 respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, recreation and park facilities, utility properties and facilities, as well as other typical capital items.

This year's major capital additions included:

- Construction of water treatment plant
- Land acquisition on Pennsylvania Avenue
- Road, sewer, and water improvements on Little Kidwell, Chesterfield Avenue and Liberty Street
- Police department building improvements
- Replacement of a police vehicle

THE TOWN OF CENTREVILLE, MARYLAND

**Management’s Discussion and Analysis
June 30, 2008**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

**Table A-6
Town of Centreville’s Capital Assets
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,518	\$ 2,180	\$ 1,161	\$ 1,161	\$ 3,679	\$ 3,341
Buildings	202	169	13,126	11,121	13,328	11,290
Land improvements	3	12	-	-	3	12
Infrastructure	4,195	3,995	4,712	3,578	8,907	7,573
Furniture, fixtures and equipment	392	417	43	34	435	451
Construction in progress	661	97	240	328	901	425
Total	\$ 7,971	\$ 6,870	\$ 19,282	\$ 16,222	\$ 27,253	\$ 23,092

Long-term Debt

At year-end 2008, the Town had \$6.2 million in loans and bond commitments outstanding as shown in Table A-7. More detailed information about the Town’s long-term liabilities is presented in Note 1 to the financial statements.

**Table A-7
Town of Centreville’s Outstanding Debt
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Mortgage loans	\$ 1,970	\$ 2,000	\$ -	\$ -	\$ 1,970	\$ 2,000
Loans from USDA	-	-	1,012	1,024	1,012	1,024
Loans from MD DOE	-	-	1,176	1,358	1,176	1,358
CDA LGIF Bond	2,722	2,817	4,338	4,460	7,060	7,277
Subtotal	4,692	4,817	6,526	6,842	11,218	11,659
Less: undrawn proceeds	2,646	2,737	2,341	4,330	4,987	7,067
Total	\$ 2,046	\$ 2,080	\$ 4,185	\$ 2,512	\$ 6,231	\$ 4,592

THE TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2008

SUBSEQUENT ITEMS FOR FUTURE FINANCIAL STATEMENTS

Looking to the future, there are a number of pending issues and initiatives which may impact future finances. These items could generally be considered in terms of long-term capital improvements and are in various stages of consideration.

Growth

As we consider a long-range perspective, questions of how far and how fast the Town will grow will need to be answered. The answer to these questions should include consideration of the resources, infrastructure, services and facilities required by such growth. The Centreville Community Plan has been updated as part of the planning process and is currently undergoing a second round of review in anticipation of legislative approval. Both the current Plan (1998) and the draft Plan under consideration (2008) address the geographic extent of the Town's future growth by identifying specific growth areas, and prospective population density likely within those areas. More challenging to predict is the pacing of such prospective growth, which is influenced by market forces, government regulation and specific legislative action. The draft Plan does address the resources, infrastructure, services and facilities required for future growth, as well as the environmental impacts of such prospective future growth.

Roads

Long-term capital planning includes transportation networks and facilities. As population continues to grow in and around the Town, increasing demand is placed on streets, sidewalks and related transportation infrastructure. While certain State revenue supports the maintenance or upgrade of streets, this revenue stream cannot keep pace with the long-term needs for road restoration, repair and maintenance. During the fall of 2007, the Town replaced the older portion of Little Kidwell Avenue roadway, including the curb, gutter and sidewalk. To minimize the future disturbance to these new amenities, the local water and sewer utilities were also replaced, including lateral connections. The roadways on Spring and Holton Streets were also restored by the mill and overlay process during this project. During 2008, the Town bid and has largely completed a major reconstruction of Chesterfield Avenue, Draper Lane, and portions of Water Street and Homewood Avenue. The sidewalk connection along Chesterfield Avenue and certain sewer main and lateral replacements were completed first. Subsequently, the local water mains were evaluated, water lateral connections replaced, and the roadway, curb, gutter and storm water systems were replaced. In addition, the roadways on portions of Broadway, Glendale Avenue, and Watson Road were also restored by the mill and overlay process. Road maintenance and integration of major roads projects with utility upgrades must continue to be considered as part of the Town's long-term capital planning.

THE TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2008

SUBSEQUENT ITEMS FOR FUTURE FINANCIAL STATEMENTS *(continued)*

Utilities: Overview

The administration of the Town's water and wastewater utilities is governed by Chapter 118 of the Centreville Code, as well as a Capacity Management Plan and a Water and Sewer Allocation Policy adopted by the Town Council. These policy and planning tools provide technical and administrative guidance with which to regulate and allocate utility resources. Establishing caps on the total amount of available capacity to be distributed each year and determining the distribution of the available annual capacity across specific use categories, such as residential, commercial and institutional, provides clear, equitable, and orderly criteria for staff and the development community. Financial planning will assure that the utility costs for each component of these two utilities is adequately reflected in the relevant charges, and appropriately billed to current or future customers. The planning for adequate future utility infrastructure will also affect the rate and extent to which additional development occurs within the Town.

Water System: Overview

The municipal water system requires significant infrastructure and operational capability to assure the availability, treatment, storage and distribution of water for drinking and other uses, including fire control.

Water System: Availability

The availability of permitted sources of water for the municipal water system is presently sufficient to meet near term demand, and the pumping capabilities are scaled to pump significant additional volumes of water, if needed. However, significant increased demand and growth in the future will require seeking additional permits for water appropriations from State Regulators (MDE).

Water System: Treatment

The U.S. Environmental Protection Agency (EPA) lowered the minimum contaminant levels for arsenic in drinking water from 50 pm to 10 pm, effective January 2006. Municipalities with arsenic levels above the new standard, including the Town of Centreville, are required to treat their water supply to reduce the naturally occurring levels to the new compliance standard. The Town has addressed this regulatory requirement by adding advanced treatment systems to two primary wells supplying drinking water to the Town. The North Brook Water Treatment Facility (WTF) was completed in March 2007 and is producing water that meets the new EPA standard. A second and similar WTF on Comet Drive in the Centreville Business Park was substantially completed in 2008. These two facilities have sufficient capacity to meet treatment needs well into the future.

THE TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2008

SUBSEQUENT ITEMS FOR FUTURE FINANCIAL STATEMENTS *(continued)*

Water System: Storage

The Town's 200,000 gallon Powell Street elevated water storage tank is over 35 years old and approaching the end of its expected useful life. In 2007, the Town also took ownership of an aging and relocated 100,000 gallon tank located on Wexford Drive. Consideration needs to be given for rehabilitating these structures as part of the ongoing process to maintain utility infrastructure. The Comet Drive elevated tank has a 300,000 gallon capacity and is in very good condition. The draft report of the Water Distribution System provided by the Town's engineers in 2007 indicates that approximately 600,000 gallons of additional elevated water storage is needed to maintain an adequate supply and pressure of water for drinking and fire control ; even larger volumes will be needed as the Town grows. These needs warrant the Town's additional financial appropriations and will impact future capital expenditures.

Water System: Distribution

The draft report of the Water Distribution System also called for additional water line looping along Route 304 on the east side of Town to increase flow for fire control and service redundancy. The Town's engineers are designing this improvement. These needs warrant additional appropriations and will impact future capital expenditures.

Wastewater System: Overview

The municipal wastewater system requires significant infrastructure and operational capability to assure the sanitary collection and treatment of raw wastewater, and the storage and discharge of treated wastewater. Among these components, treatment and discharge capacity are the limiting factors, given existing commitments to developers through Public Works Agreements.

THE TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2008

SUBSEQUENT ITEMS FOR FUTURE FINANCIAL STATEMENTS *(continued)*

Wastewater System: Collection

Wastewater collection systems transport wastewater from sources through sanitary sewer pipes and pump stations to a treatment facility. The Town has completed significant upgrades to the North and South Pump Stations, but additional improvements are needed for the Wharf Lift Station and the sanitary sewer pipes. Total wastewater flows are directly affected by the additional unwanted volumes that may come from inappropriate connections to the sanitary sewer (inflow) or seepage into the system from groundwater influences (infiltration). These flows directly impact the Town's capacity to treat and dispose of wastewater by adding additional volume. Eliminating these undesirable flows into the wastewater system provides additional capacity for the Town's users. The Town completed the second phase of an Inflow and Infiltration (I&I) Study in 2006, which determined actual and potential external sources of flow and recommended solutions to these problems. The results of this study provide a prioritized methodology for upgrading the sewer collection system to provide a cost effective means by which to add capacity to the Town's wastewater infrastructure. These upgrades have been initiated in the order of priority established in the study. Those upgrades already completed have had quantifiable success in reducing inflow and infiltration, and thereby enhancing the system's capacity.

Wastewater System: Treatment

The Town's engineers believe the wastewater treatment facility (WWTF) is able to treat up to 750,000 gallons per day (gpd), but there are challenges inherent in the state regulatory process to increase the rating of the facility. During 2008, the Town concluded a lengthy process to increase the rating of the WWTF from 500,000 gpd to 542,000 gpd. The existing treatment system is scalable, and with the installation of a third chamber, can increase capacity well above 1,000,000 gpd to meet possible future demand.

Wastewater System: Discharge

A limiting factor to providing additional sewer allocations lies in the ability to discharge treated wastewater. The Town is permitted to discharge 500,000 gpd to surface water (Gravel Run) during four months of the year, and is permitted year round discharge of 542,000 gpd to ground water (Centreville Water Reuse Area, also known as the Sprayfield). However, the ground water discharge permit is dependent on suitable weather and farming conditions. Moderate additional capacity remains in the existing spray field facility with the addition of infrastructure, but long-term needs will generally depend upon the availability of additional land for spray disposal, expansion of the stream discharge pipe further into the Corsica River, or other technologies.

THE TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2008

SUBSEQUENT ITEMS FOR FUTURE FINANCIAL STATEMENTS *(continued)*

Municipal Facilities

The Town's employees are scattered among three buildings plus a rented office. Further growth will require hiring additional employees who will need a suitable workplace. The Town acquired two new properties during 2007 and the Council has discussed construction of a new municipal building or expansion of one or two existing buildings to accommodate new staff.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Town of Centreville, 101 Lawyers Row, Centreville, Maryland 21617.

THE TOWN OF CENTREVILLE, MARYLAND

**Statement of Net Assets
For the Year Ended June 30, 2008**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 2,348,437	\$ 7,049,115	\$ 9,397,552
Investments	3,889,110	110,114	3,999,224
Receivables:			
Taxes, net	60,649	-	60,649
Accounts, net	412,314	1,157,154	1,569,468
Accrued interest	46,133	13,628	59,761
Prepays and other assets	42,341	-	42,341
Notes receivable	142,736	-	142,736
Internal balances	993,589	(993,589)	-
Total Current Assets	7,935,309	7,336,422	15,271,731
Non-current Assets			
Unamortized bond issuance costs	72,919	120,291	193,210
Capital assets, net	7,309,882	19,041,958	26,351,840
Construction in progress	661,185	239,800	900,985
Total Non-current Assets	8,043,986	19,402,049	27,446,035
Total Assets	15,979,295	26,738,471	42,717,766
LIABILITIES			
Current Liabilities			
Accounts payable	759,344	732,472	1,491,816
Accrued payroll	35,722	6,110	41,832
Deferred revenue	-	819,591	819,591
Current portion of long term debt	130,777	324,613	455,390
Total Current Liabilities	925,843	1,882,786	2,808,629
Non-Current Liabilities			
Long term debt, net of current portion	1,914,946	3,860,795	5,775,741
Compensated absences, net of current portion	77,487	-	77,487
Total Non-Current Liabilities	1,992,433	3,860,795	5,853,228
Total Liabilities	2,918,276	5,743,581	8,661,857
NET ASSETS			
Invested in capital assets, net of related debt	5,925,344	15,096,350	21,021,694
Restricted	6,113,337	-	6,113,337
Unrestricted	1,022,338	5,898,540	6,920,878
Total Net Assets	\$ 13,061,019	\$ 20,994,890	\$ 34,055,909

The accompanying notes are an integral part of this financial statement

THE TOWN OF CENTREVILLE, MARYLAND

**Statement of Activities
For the Year Ended June 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 614,488	\$ 334,799	\$ 616,899	\$ -
Public safety	928,686	290	65,061	-
Public works	1,002,031	231,741	-	-
Parks and recreation	97,977	-	-	-
Cemetery	106,770	39,862	-	-
Watershed preservation	191,553	-	-	-
Centreville wharf	1,722	-	-	-
Interest on long-term debt	138,844	-	-	-
Total governmental activities	<u>3,082,071</u>	<u>606,692</u>	<u>681,960</u>	<u>-</u>
Business-type activities:				
Sewer	979,175	1,259,213	-	-
Water	539,352	884,435	-	179,000
Farm	904	11,114	-	-
Total business-type activities	<u>1,519,431</u>	<u>2,154,762</u>	<u>-</u>	<u>179,000</u>
Total primary government	<u>\$ 4,601,502</u>	<u>\$ 2,761,454</u>	<u>\$ 681,960</u>	<u>\$ 179,000</u>

General revenues:

Real property taxes
Public utility taxes
Local income taxes
Miscellaneous
Investment earnings
Gains, losses, change in fair market value

Total general revenues

Change in net assets

Net assets, beginning of year, as previously reported

Effect of restatement of year

Net assets, beginning of year, as restated

Net Assets, End of Year

The accompanying notes are an integral part of this financial statement

Governmental Activities	Business-Type Activities	Total
\$ 337,210	\$ -	\$ 337,210
(863,335)	-	(863,335)
(770,290)	-	(770,290)
(97,977)	-	(97,977)
(66,908)	-	(66,908)
(191,553)	-	(191,553)
(1,722)	-	(1,722)
(138,844)	-	(138,844)
<u>(1,793,419)</u>	<u>-</u>	<u>(1,793,419)</u>
-	280,038	280,038
-	524,083	524,083
-	10,210	10,210
<u>(1,793,419)</u>	<u>814,331</u>	<u>(979,088)</u>
1,786,648	-	1,786,648
47,109	-	47,109
297,519	-	297,519
55,422	-	55,422
235,681	153,666	389,347
24,531	-	24,531
<u>2,446,910</u>	<u>153,666</u>	<u>2,600,576</u>
653,491	967,997	1,621,488
12,329,532	20,026,893	32,356,425
77,996	-	77,996
<u>12,407,528</u>	<u>20,026,893</u>	<u>32,434,421</u>
<u>\$ 13,061,019</u>	<u>\$ 20,994,890</u>	<u>\$ 34,055,909</u>

The accompanying notes are an integral part of this financial statement

THE TOWN OF CENTREVILLE, MARYLAND

**Balance Sheet – Governmental Funds
As of June 30, 2008**

ASSETS	General Fund	Capital Project Fund	Permanent Fund	Total
Cash and cash equivalents	\$ 2,229,586	\$ -	\$ 118,851	\$ 2,348,437
Investments	89,702	-	3,799,408	3,889,110
Receivables				
Taxes, net	60,649	-	-	60,649
Accounts, net	412,314	-	-	412,314
Interest	-	-	46,133	46,133
Prepays	26,930	15,411	-	42,341
Notes receivable	142,736	-	-	142,736
Due from other funds	2,022,515	-	-	2,022,515
Total Assets	\$ 4,984,432	\$ 15,411	\$ 3,964,392	\$ 8,964,235
 LIABILITIES				
Accounts payable	\$ 740,336	\$ -	\$ -	\$ 740,336
Accrued payroll	35,722	-	-	35,722
Deferred revenue	62,223	-	-	62,223
Due to other funds	-	875,753	153,173	1,028,926
Total Liabilities	838,281	875,753	153,173	1,867,207
 FUND BALANCES				
Reserved for:				
Prepaid	26,930	15,411	-	42,341
Notes receivables	142,736	-	-	142,736
Encumbrances	57,367	-	-	57,367
Fund purposes	398,029	-	3,811,219	4,209,248
Unreserved	3,521,089	(875,753)	-	2,645,336
Total Fund Balances	4,146,151	(860,342)	3,811,219	7,097,028
Total Liabilities and Fund Balances	\$ 4,984,432	\$ 15,411	\$ 3,964,392	\$ 8,964,235

The accompanying notes are an integral part of this balance sheet.

THE TOWN OF CENTREVILLE, MARYLAND

**Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Assets
As of June 30, 2008**

Total Governmental Fund Balances		\$ 7,097,028
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds		7,971,064
Other assets are not available to pay for current period expenditures and, therefore are deferred in the funds:		
Deferred revenue		62,223
Unamortized bond costs		72,922
Long term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consists of:		
Interest payable on bond	\$ (19,008)	
Bond payable net of issuance costs	(2,045,723)	
Compensated absences	(77,487)	
		<u>(2,142,218)</u>
Net Assets of Governmental Activities		<u><u>\$ 13,061,019</u></u>

The accompanying notes are an integral part of this financial statement.

THE TOWN OF CENTREVILLE, MARYLAND

**Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds
For the Year Ended June 30, 2008**

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECT FUND</u>	<u>PERMANENT FUND</u>	<u>TOTAL</u>
Revenue				
General property taxes	\$ 1,833,758	\$ -	\$ -	\$ 1,833,758
Local income taxes	297,518	-	-	297,518
Permits and licenses	139,608	-	-	139,608
Charges for services	482,457	-	-	482,457
Intergovernmental	681,960	-	-	681,960
Miscellaneous	-	-	-	-
Other miscellaneous				
Revenue	55,422	-	-	55,422
Investment earnings	57,824	4,178	173,679	235,681
Gains, losses and changes in fair market value	-	-	24,089	24,089
Fees and charges	6,950	-	(6,509)	441
Total Revenue	<u>3,555,497</u>	<u>4,178</u>	<u>191,259</u>	<u>3,750,934</u>
Expenditures				
Current:				
General government				
administration	598,889	-	-	598,889
Public safety	899,525	-	-	899,525
Public works	730,374	-	-	730,374
Parks and recreation	89,720	-	-	89,720
Cemetery	106,770	-	-	106,770
Watershed preservation	191,553	-	-	191,553
Centreville wharf	1,722	-	-	1,722
Capital outlay	539,293	797,642	-	1,336,935
Debt service:				
Principal	124,867	-	-	124,867
Interest	212,433	-	-	212,433
Total Expenditures	<u>3,495,146</u>	<u>797,642</u>	<u>-</u>	<u>4,292,788</u>
Excess (deficiency) of revenue over expenditures before other financing sources (uses)	<u>60,351</u>	<u>(793,464)</u>	<u>191,259</u>	<u>(541,854)</u>
Other Financing Sources (Uses)				
Proceeds of bond borrowings	91,600	-	-	91,600
Operating transfers	110,000	-	(110,000)	-
Total Other Financing Sources (Uses)	<u>201,600</u>	<u>-</u>	<u>(110,000)</u>	<u>91,600</u>
Excess (deficiency) of revenue and other financing sources over expenditures	261,951	(793,464)	81,259	(450,254)
Fund balances-beginning as previously reported	3,884,200	2,669,940	3,729,960	10,284,100
Effect of restatement	-	(2,736,818)	-	(2,736,818)
Fund balances, beginning of year, as restated	<u>3,884,200</u>	<u>(66,878)</u>	<u>3,729,960</u>	<u>7,547,282</u>
Fund Balances, End of Year	<u>\$ 4,146,151</u>	<u>\$ (860,342)</u>	<u>\$ 3,811,219</u>	<u>\$ 7,097,028</u>

The accompanying notes are an integral part of this financial statement.

THE TOWN OF CENTREVILLE, MARYLAND

**Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008**

Net Change in Fund Balances – Total Government Fund \$ (450,254)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets (\$1,427,219) is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation (\$324,464) in the current period. 1,102,755

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 33,268

Some expenses, representing the change in long-term liabilities or assets, reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued interest payable	(9,335)
Amortization of bond costs	(7,360)
Change in deferred revenue and other	(15,373)
Accrued compensated absences	(210)
	<hr/>

Change in Net Assets of Governmental Activities \$ 653,491

THE TOWN OF CENTREVILLE, MARYLAND

Statement of Net Assets – Proprietary Funds As of June 30, 2008

	<u>Enterprise Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 7,049,115
Investments	110,114
Receivables	
Accrued interest	13,628
Accounts, net	1,157,154
Total Current Assets	<u>8,330,011</u>
Non-Current Assets	
Unamortized bond issuance costs	120,291
Capital assets, net	19,041,958
Construction in progress	239,800
Total Non-Current Assets	<u>19,402,049</u>
Total Assets	<u>27,732,060</u>
LIABILITIES	
Current Liabilities	
Accounts payable	732,472
Accrued payroll	6,110
Due to other funds	993,589
Escrow deferred payable	819,591
Current portion of long term debt	324,613
Total Current Liabilities	<u>2,876,375</u>
Non-Current Liabilities	
Long term debt	3,860,795
Total Liabilities	<u>6,737,170</u>
NET ASSETS	
Invested in capital assets, net of related debt	15,096,350
Unrestricted	5,898,540
Total Net Assets	<u>\$ 20,994,890</u>

The accompanying notes are an integral part of this financial statement.

THE TOWN OF CENTREVILLE, MARYLAND

**Statement of Revenue, Expenses, and Changes in Fund Net Assets – Proprietary Funds
For the Year Ended June 30, 2008**

Operating Revenue	\$ 2,160,002
Operating Expenses	
Salaries and benefits	186,006
Contracted services	504,356
Depreciation	434,087
Utilities	268,871
Repairs and maintenance	21,630
Other operating expenses	31,318
Total Operating Expense	<u>1,446,268</u>
Operating Income before Non-Operating Revenue (Expense)	713,734
Non-Operating Revenue (Expense)	
Capital contributions	179,000
Interest expense	(73,163)
Interest income	148,426
Total Non-Operating Revenue	<u>254,263</u>
Change in net assets	967,997
Net Assets, beginning of year	<u>20,026,893</u>
Net Assets, End of Year	<u>\$ 20,994,890</u>

The accompanying notes are an integral part of this financial statement.

THE TOWN OF CENTREVILLE, MARYLAND

Statement of Cash Flows– Proprietary Funds For the Year Ended June 30, 2008

Cash Flows from Operating Activities:

Cash received from customers	\$ 1,981,003
Cash paid for supplies, services, etc.	(314,273)
Cash paid for employees	(182,942)
Net cash from operating activities	<u>1,483,788</u>

Cash Flows from Investing Activities:

Interest on cash deposits and investments	149,427
---	---------

Cash Flows from Capital and Related Financing Activities:

Purchases/construction of capital assets	(3,494,135)
Capital contribution	179,000
Interest paid on debt	(73,163)
Principal paid on debt	(317,398)
Proceeds from loans	1,989,810
Net cash from financing activities	<u>(1,715,886)</u>

Cash Flows from Non-capital Financing Activities:

Transfers from other funds	<u>440,296</u>
----------------------------	----------------

Net decreases in cash and cash equivalents	357,625
Cash and cash equivalents, beginning of year	<u>6,691,490</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,049,115</u>

Reconciliation of Operating Income to Net Cash From Operating Activities:

Operating income	\$ 713,734
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	434,087
Effect of changes in operating assets and liabilities:	
Receivables, net	(335,038)
Payables and accrued expenses	504,906
Deferred revenue	166,099
Net Cash from operating activities	<u>\$ 1,483,788</u>

The accompanying notes are an integral part of this financial statement.

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements

June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Centreville, Maryland (the Town) operates under a Council-Manager form of government. The Town's major operations include public safety, parks and recreation, public works, public cemetery, watershed preservation and general administrative services. In addition, the Town owns and operates a water and sewer system including a farm for spray irrigation. The Town's financial statements are prepared in accordance with generally accepted accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies of the Town are summarized as follows:

Reporting Entity

The financial statements of the Town include all funds, account groups, agencies, boards, commissions, etc. that are controlled by, or dependent on, the elected Council. Control and dependence are determined by considering budget adoption, taxing authority, funding, and guarantee of debt, ownership of assets and appointment of the respective governing board. The Town does not have any component units as defined by GAAP. A component unit is defined as a separate legal entity that a primary government must include as part of its financial reporting entity for fair presentation in conformity with GAAP.

Government - Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for the governmental funds and proprietary funds. The major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Preparation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements

June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Focus, Basis of Accounting, and Financial Statement Preparation *(continued)*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to the general rule include principal and interest on general long-term debt which are recognized when due.

Property taxes, other local taxes, shared expenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The Town's reporting entity applied all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary fund, the Town has elected under GASB20 to not implement Financial Accounting Standards Board (FASB) pronouncements issued on or after November 30, 1989.

The government reported three major governmental funds in 2008: the General Fund, Permanent Fund and the Capital Project Fund. The General Fund is the government's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Permanent Fund is an investment fund in that only the fund's investment earnings may be used to support the government's programs. The Permanent Fund's principal is legally restricted from being used unless approved by the citizens of the government. The Capital Project Fund is to be used to account for capital outlays financed by general obligation debt for the acquisition of construction of major capital facilities.

The government has only one Proprietary Fund in 2008: the Water and Sewer Enterprise Fund. This fund accounts for the Town's water and sewer operations.

Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

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 of the water and sewer fund are charges to customers for services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements

June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Town are reported at fair value.

Receivables and Payables

Receivables are stated at cost with an allowance for doubtful accounts when in the opinion of the Town's management collection is doubtful. Due from other funds and governments are stated at cost.

Accounts receivable include amounts due from third parties for subdivision review fees, allocation fees, contract services, and other related fees. Tower rental receivables include amounts due from wireless carriers and internet service providers. These are shown net of an allowance for uncollectible accounts. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible revenue amounted to \$16,340 at June 30, 2008 for the general fund.

Interfund Receivables and Payables

Generally, outstanding balances between funds, reported as "*due to/from other funds,*" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "*internal balances.*"

THE TOWN OF CENTREVILLE, MARYLAND

**Notes to the Financial Statements
June 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets, Liabilities and Net Assets or Fund Balances *(continued)*

The following schedule reports receivables and payables within the reporting entity at fiscal year-end:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Net Balances</u>
Governmental Activities:			
General Fund	\$ 1,944,506	\$ -	\$ 1,944,506
Capital Project Fund	-	875,753	(875,753)
Revolving Housing Fund	49,905	-	49,905
Perpetual Care Fund	28,104	-	28,104
Investment Fund	-	153,173	(153,173)
	<u>\$ 2,022,515</u>	<u>\$ 1,028,926</u>	<u>\$ 993,589</u>
Total			
Business-Type Activities	<u>\$ -</u>	<u>\$ 993,589</u>	<u>\$ 993,589</u>

Prepaid assets

Prepaid assets consist of insurance premiums and other prepaid expenditures and are valued at cost using the consumption method.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g.: roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The Town's capital assets are depreciated using the straight-line method over the following estimated lives:

Buildings	20 to 50 Years
Improvements	10 to 20 Years
Infrastructure	10 to 20 Years
Equipment	5 to 15 Years
Vehicles	5 to 10 Years

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets, Liabilities and Net Assets or Fund Balances *(continued)*

Capital Assets *(continued)*

The Enterprise Fund records depreciation using the straight-line method over the following estimated useful lives of the assets:

Infrastructure	25 to 50 Years
Machinery and Equipment	5 to 15 Years
Water and Sewer System	5 to 50 Years
Vehicles	5 to 10 Years

Compensated Absences

Permanent full-time employees are granted vacation benefits in varying amounts up to specified maximums depending on tenure with the Town. The estimated current portion of the liability for vested vacation benefits attributable to the Town's governmental funds is recorded as an expenditure and liability in the respective funds. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations placed on their use through external restrictions imposed by grantors or laws or regulations of other governments.

Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements

June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property Tax Calendar

In accordance with Maryland law the Town operates on a fiscal year of July 1 – June 30. At least 32 days prior to July 1 of each year, the Council adopts a budget which establishes the property tax levy for the coming year. Tax bills are due and payable on July 1 and are considered in arrears on the following October 1. Property on which the taxes remain unpaid on the following January 1 is sold at public auction by Queen Anne’s County in the manner prescribed by state law.

Budgetary Control

Prior to the beginning of each fiscal year, the Council considers and adopts an annual budget. The budget provides a complete financial plan in that it contains estimated revenues and proposed expenditures adopted on a basis consistent with generally accepted accounting principles. The estimated revenues must equal or exceed the proposed expenditures and actual expenditures cannot exceed those contained in the budget. Unexpended appropriations lapse at each fiscal year end. The budget is amended if needed during a fiscal year to reflect additional spending approved by the Town Council. The budget amounts shown in the financial statements are from the original and revised budgets that were adopted by the Town Council.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year for the General Fund and Capital Projects Fund. Annual operating budgets are adopted by ordinances and resolutions passed by the Town Council for those funds. Special revenue funds do not have an annual operating budget adopted by the Town Council. Budgets are prepared on the same basis of accounting used for financial reporting purposes. The original budgets and revisions are authorized at the department level by the Town Council.

The department manager has the authority to apply amounts within the department, as long as the total appropriation for a department is not adjusted. Budget amounts reflected in the financial statements include the original and final adopted budget. All appropriations, which are non-capital in nature, lapse at year-end to the extent that they have not been fully expended.

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements June 30, 2008

3. DEPOSITS AND INVESTMENTS

Deposits

The Town's authority to invest surplus cash is derived directly from state law. That law restricts investment to:

- Deposits in financial institutions insured by the Federal Deposit Insurance Corporation;
- U.S. Treasury and Agency securities;
- Collateralized repurchase agreements;
- Guaranteed bankers acceptances; and
- The Maryland Local Government Investment Pool.

As of June 30, 2008 the Town's bank balance of cash deposits with financial institutions totaled \$9,450,666, of which \$100,000 was covered by Federal Deposit Insurance Corporation. The remaining \$9,350,666 was collateralized in accordance with state regulations, with \$10,359,806 of securities held by Centreville National Bank, pledged to secure the Town's deposits. All certificates of deposit are investments. Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The deposits of the Town are not exposed to custodial credit risk at June 30, 2008.

All highly liquid investments with an original maturity of three months or less are considered to be equivalent to cash.

Investments

At year-end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business Type Activities	Total Primary Government
Cash and Investments	\$6,237,547	\$7,159,229	\$13,396,776

The breakdown between deposits and investments for the Town is as follows:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 10,088,618
Federal Home Loan Mortgage Corp.	1,081,877
Federal National Mortgage Assn.	697,032
U.S. Treasury Notes	192,516
Federal Home Loan Bank	652,732
Federal Farm Credit Bank	684,001
TOTAL	\$ 13,396,776

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements

June 30, 2008

3. DEPOSITS AND INVESTMENTS *(continued)*

Investments *(continued)*

The U.S. government securities are categorized as insured, registered, or held by the Town or its agent in the Town's name in order to reduce the custodial risk to a minimum.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Town Charter provisions restrict fund investments to:

- 1) Direct obligations of, or obligations insured or guaranteed by, the United States of America;
- 2) Bonds, debentures, notes or other evidences of indebtedness issued by Bank of Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Land Banks, Government National Mortgage Association, Tennessee Valley Authority, and Washington Metropolitan Area Transit Authority; and
- 3) Time deposits or certificates of deposit secured by obligations described in (1) or (2) above.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the \$3,999,224 investments held by National Financial Services, LLC (NFS), a Fidelity Investments company, up to \$500,000 is protected with the Securities Investor Protection Corporation (SIPC). NFS provides supplemental coverage for total account net equity in excess of the SIPC coverage. As of June 30, 2008, the Town was not exposed to custodial credit risk.

Foreign Currency Risk

The investment policy does not permit investments in foreign investments.

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements June 30, 2008

4. DUE FROM OTHER GOVERNMENTS

As of June 30, 2008, due from other governments, a component of taxes receivable, is summarized as follows:

General Fund:			
State of Maryland			
Highway User Tax		\$	27,333
Income Tax			24,022
Admissions Tax			786
Total Due from Other Governments		\$	<u>52,141</u>

5. RISK MANAGEMENT

The Town has identified various areas where it is at risk of loss during the normal course of business. Those areas include property damage or destruction, general liability, employee dishonesty, worker's compensation, etc. It is the Town's policy to eliminate the risk of loss in those areas through the purchase of commercial insurance.

There were no significant reductions in insurance coverage during fiscal year 2008. Settlement amounts have not exceeded insurance coverage for the past three years.

6. CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2008 were as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated:				
Land	\$ 2,179,573	\$ 338,319	\$ -	\$ 2,517,892
Construction in Progress	97,133	621,852	57,800	661,185
Total Capital Assets Not Being Depreciated	<u>2,276,706</u>	<u>960,171</u>	<u>57,800</u>	<u>3,179,077</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	6,646,273	468,765	-	7,115,038
Equipment	836,280	55,193		891,473
Total Capital Assets Being Depreciated	<u>7,482,553</u>	<u>523,958</u>	<u>-</u>	<u>8,006,511</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	2,470,681	244,370	-	2,715,051
Equipment	419,376	80,094		499,470
Total Accumulated Depreciation	<u>2,890,057</u>	<u>324,464</u>	<u>-</u>	<u>3,214,521</u>
Total Capital Assets Being Depreciated, Net	<u>4,592,496</u>	<u>199,494</u>	<u>-</u>	<u>4,791,990</u>
Capital Assets, Net	<u>\$ 6,869,202</u>	<u>\$ 1,159,665</u>	<u>\$ 57,800</u>	<u>\$ 7,971,067</u>

THE TOWN OF CENTREVILLE, MARYLAND

**Notes to the Financial Statements
June 30, 2008**

6. CAPITAL ASSETS *continued*)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated:				
Land	\$ 1,160,863	\$ -	\$ -	\$ 1,160,863
Construction in Progress	327,775	203,484	291,459	239,800
Total Capital Assets Not Being Depreciated	<u>1,488,638</u>	<u>203,484</u>	<u>291,459</u>	<u>1,400,663</u>
Capital Assets Being Depreciated:				
Land Improvements, Buildings and Improvements	16,662,720	3,564,212	-	20,226,932
Equipment and Other	192,876	17,898	-	210,774
Total Capital Assets Being Depreciated	<u>16,855,596</u>	<u>3,582,110</u>	<u>-</u>	<u>20,437,706</u>
Less Accumulated Depreciation for:				
Land Improvements, Buildings and Improvements	1,963,575	425,085	-	2,388,660
Equipment and Other	158,949	9,002	-	167,951
Total Accumulated Depreciation	<u>2,122,524</u>	<u>434,087</u>	<u>-</u>	<u>2,556,611</u>
Total Capital Assets Being Depreciated, Net	<u>14,733,072</u>	<u>3,148,023</u>	<u>-</u>	<u>17,881,095</u>
Capital Assets, Net	<u>\$ 16,221,710</u>	<u>\$ 3,351,507</u>	<u>\$ 291,459</u>	<u>\$ 19,281,758</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 15,389
Public Safety	29,161
Public Works	271,657
Parks and Recreation	<u>8,257</u>

Total Depreciation Expense, Governmental Activities \$ 324,464

Business-Type Activities:

Sewer	\$ 318,394
Water	<u>115,693</u>

Total Depreciation Expense, Business-Type Activities \$ 434,087

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements June 30, 2008

7. CONTINGENT LIABILITIES

The Town is the recipient of several state-shared taxes and grants. These programs are subject to audit and retroactive adjustment which could result in reimbursement.

8. LONG TERM LIABILITIES

The Town has incurred debt to provide funds for the acquisition, construction and improvement of its infrastructure and water and sewer systems. The debt takes the form of bonds, notes and mortgages payable. General obligation debt is backed by the full faith and credit of the Town.

Governmental Activities

Bond Payable, Community Development Administration Local Government Infrastructure Bonds 2007 Series A (Ambac Insured); Payable in Annual Installments Beginning May 1, 2008; Interest at 4.225%; Interest Paid on the Unpaid Principal Installment Amounts Due and Payable in Semiannual Payments Commencing November 1, 2007; Thereafter Due First Day of May and November Each Year; Thereafter until Maturity; The Term for this Obligation is 20 Years \$ 2,722,300

Note payable, Centreville National Bank; Payable in Monthly Installments of \$10,566.65, including Principal and Interest at 4.79%; Final Payment Due June 7, 2037 1,969,957

Total 4,692,257
Less: undrawn proceeds 2,646,534
Total Governmental Activities 2,045,723

Business type Activities

Bond Payable, Community Development Administration Local Government Infrastructure Bonds 2007 Series A (Ambac Insured); Payable in Annual Installments Beginning May 1, 2008; Interest at 4.225%; Interest Paid on the Unpaid Principal Installment Amounts Due and Payable in Semiannual Payments Commencing November 1, 2007; Thereafter Due First Day of May and November Each Year Thereafter until Maturity; The Term for this Obligation is 20 Years 2,472,375

Bond Payable, Community Development Administration Local Government Infrastructure Bonds 2007 Series A-1 (Ambac Insured) Payable in Annual Installments Beginning May 1, 2008; Interest at 4.35%; Interest Paid on the Unpaid Principal Installment Amounts Due and Payable in Semiannual Payments Commencing November 1, 2007; Thereafter Due First Day of May and November Each Year Thereafter until Maturity; The Term for this Obligation is 30 Years 1,865,000

THE TOWN OF CENTREVILLE, MARYLAND

**Notes to the Financial Statements
June 30, 2008**

8. LONG TERM LIABILITIES *(continued)*

Business-Type Activities *(continued)*

Bond Payable, Water Quality Bond, Series 2002, Payable in Annual Installments Beginning February 1, 2003; Interest at 1.2%; Interest Paid on the Unpaid Principal Amounts Advanced Under the Loan Agreement Started on Feb. 1, 2003 and Semi-Annually Thereafter on the First Day of August and February Each Year Through February, 2015; Maximum Amount of Loan Commitment is \$3,900,000; Final Principal Amount Advanced \$2,065,583 An Annual Fee of \$9,184 is Paid by the Town to MDE for Administering the Loan

1,176,003

Loan Payable, United States Department of Agriculture, Rural Development Loan; Interest at 4.25%; Payable on a Quarterly Basis Beginning December 27, 2003; Due September 29, 2043; Unsecured

1,012,244

Total

6,525,622

Less: undrawn proceeds

2,340,214

Total Business-Type Activities

4,185,408

Total

\$ 6,231,131

The Town of Centreville also maintains a revolving line of credit in the amount of \$250,000 from the Centreville National Bank of Maryland. The interest rate on the line of credit is variable. The interest rate to be applied to any unpaid principal balance during the note will be at a rate of 2.89 percentage points under the then current Index and rounded to the nearest 0.125 percent. There are currently no amounts outstanding on the line of credit.

THE TOWN OF CENTREVILLE, MARYLAND

**Notes to the Financial Statements
June 30, 2008**

8. LONG TERM LIABILITIES (continued)

Long term debt service requirements to maturity are summarized as follows:

Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 130,777	\$ 205,291
2010	139,907	199,900
2011	144,117	194,141
2012	148,209	188,448
2013	152,774	182,088
2014 – 2037	3,976,473	1,984,310
	<u>\$ 4,692,257</u>	<u>\$ 2,954,178</u>

Year Ended June 30	Business Type Activities	
	Principal	Interest
2009	\$ 324,613	\$ 235,377
2010	331,875	227,707
2011	339,688	219,813
2012	347,053	211,673
2013	355,471	203,308
2014- 2043	4,826,922	2,440,608
	<u>\$ 6,525,622</u>	<u>\$ 3,538,486</u>

The following is a summary of changes in long term liabilities and compensated absences of the Town for the year ended June 30, 2008:

	Business Type Activities	Governmental Activities			Total
	Water and Sewer Fund	Capital Project Fund	General Long-Term Debt	Compensated Absences	
Balance, beginning of year	\$ 6,843,020	\$ 2,817,100	\$ 2,000,000	\$ 77,277	\$ 4,894,377
Increases	-	-	-	210	210
Decreases	(317,398)	(94,800)	(30,043)	-	(124,843)
Balance, End of Year	6,525,622	2,722,300	1,969,957	77,487	4,769,744
Less: undrawn bond proceeds	2,340,214	2,646,534	-	-	2,646,534
Total long-term debt, governmental	-	<u>\$ 75,766</u>	<u>\$1,969,957</u>	<u>\$ 77,487</u>	<u>\$ 2,123,210</u>
Total long-term debt, business-type	<u>\$ 4,185,408</u>				

General funds have been historically used to liquidate non-debt long term liability. Interest expense was \$73,163 and \$138,844 for the Business-Type and the Governmental Activities, respectively, for 2008.

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements June 30, 2008

9. COMMITMENTS AND CONTINGENCIES

Construction Projects

During fiscal year 2003, the Town awarded bids for three construction projects. Together the projects expanded and renovated the Wastewater Treatment Plant (WWTP) and related facilities. Total project costs are now estimated to be approximately \$10,330,000. Financing was provided by a \$3.9 million dollar bond of which the final principal amount drawn amounted to \$2,065,583, a Maryland Department of the Environment grant of approximately \$4,229,858, a USDA Grant of \$900,000, a USDA Loan of \$1,066,308, and local resources including allocation fees charged to residential developers. The Force Main was finished in fiscal year 2005. The WWTP was completed fiscal year 2008. The Spray Irrigation should be completed during fiscal year 2009.

The State of Maryland grant includes provisions which require the Town to upgrade its Wastewater Treatment Plant with equipment designed to remove nitrogen from its effluent.

During May 2007, the Town received bond proceeds from a bond issuance from Community Development Administration, an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland (the Administration), in connection with the Local Government Infrastructure Financing Program. The general obligation bonds are to be used to finance infrastructure projects undertaken by the Town. The bond issuance consists of an aggregate principal amount not to exceed \$7,500,000 for the purpose of street improvements, wastewater collection system improvements, water distribution system improvements and water treatment system construction (collectively the Project). The proceeds of the bonds shall be held and invested by the Administration in its sole discretion and shall be administered and disbursed by the Administration pursuant to a Repayment Agreement. Proceeds of the bonds shall be used when and as required to pay Project costs.

The Town awarded a bid in April 2007 for the construction of a Water Treatment Plant to be located within the Centreville Business Park. Construction of the Water Treatment Plant will allow the Town to achieve compliance with the new arsenic regulations implemented by the Maryland Department of the Environment. Total project costs are approximately \$2,015,065. The Water Treatment Plant was placed into service during the spring of 2008.

During May 2007 the Town also awarded a bid for the reconstruction and subsurface sewer and water rehabilitation of Little Kidwell Avenue. The contract included an alternate bid for the partial renovation of Holton and Spring Streets. Project costs are estimated to be approximately \$850,100. The Little Kidwell Avenue project was completed December 2008.

In March 2008 the Town of Centreville awarded a bid in the amount of \$1,719,975 for the reconstruction of Chesterfield Avenue, Homewood Avenue and Draper Lane. The scope of the project includes the review and replacement of a small portion of water and/or sewer lines, and reconstruction and repaving of the entire road surface including storm water management systems curbing and gutters. The bid also included two inch mill and overlay services to Homewood and Draper Lanes. The Chesterfield Avenue project is largely completed as of December 2008.

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements

June 30, 2008

9. COMMITMENTS AND CONTINGENCIES *(continued)*

Public Works Agreements

The Town has entered into several Public Works Agreements (PWA's) with developers for projects within the Town. Approximately 850 residential and commercial units in various locations are allocated for sewer and water services. These allocations are granted from existing wastewater treatment facilities. In each case, developers have paid fees to reserve capacity.

To ensure that the developers associated with the PWA's satisfy their obligations under their respective agreements, the Town required the issuance of letters of credit for various amounts. These letters of credit remained unused and totaled \$4,553,288 as of June 30, 2008.

Employment Contracts

The Town has an employment agreement with its Town Manager dated April 2006 for a term of three years. The Town also has a contract with the Chief of Police that was effective January 2006 for a two year term. On December 31, 2007 the Town executed a new employment contract with the Chief of Police. The new contract remains in full force until December 31, 2008. Both contracts may be terminated by either the Town or the employee.

Contractual Agreements

The Town has a renewable annual agreement with Maryland Environmental Service (MES) to provide operation of the Town's water and wastewater treatment system. The total estimated cost of services and supplies is \$275,110. MES also provides services for solid waste disposal at the plant.

Bandurski is under contract for the pickup and disposal of trash. The total estimated cost of the services is \$94,032.

URS is under contract to provide engineering consulting to the Town. Services are billed based upon time and materials. Hourly rates are set on December 1 of each year.

Borrowing Unit

In connection with the debt acquired in aggregate of \$11,217,879, the Town, by Charter Amendment, agreed to limit the amount of money it can borrow to an amount not to exceed twenty percent (20%) of its assessable tax base of \$461,040,692. Currently, the borrowing limit is \$92,208,138.

Legal Issues

The Town is party to legal proceedings that normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the financial position of the Town.

Fund Deficit

The Town plans to fund the fund deficit in the capital projects through additional draws on available debt.

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements

June 30, 2008

10. PENSION PLAN

The Town sponsors a defined contribution plan administered by Wealth Asset Management and is required to contribute 5% of earned income for eligible employees. Employees must be 21 years of age, employed for one year, and credited with at least 1,000 hours before they are eligible for the plan. During the fiscal year ended June 30, 2008, 19 employees participated in the plan. Participants are 100 percent vested after three years' participation in the plan. The Town's pension expense was \$35,465 in 2008.

11. POST RETIREMENT BENEFITS

The Town provides health insurance and a prescription health reimbursement expense account to two retirees with twenty-five years of service. The health insurance benefit to the two employees was \$6,300 for fiscal year 2008. The prescription benefit was \$1,000 per year per employee. The prescription plan is administered by a third party and is accounted for on a "pay as you go" basis.

12. SUBSEQUENT EVENTS

On December 2, 2008, the Town Council of Centreville decided not to renew the Chief of Police contract, which expires December 31, 2008. The Town will appoint an Interim Chief of Police to manage the department until a new Chief is selected.

13. RESTATEMENT OF 2007 BALANCES

The June 30, 2007 balances were restated to properly account for actual draws on debt and recognition of deferred revenue (on entity wide financials).

REQUIRED SUPPLEMENTARY INFORMATION

THE TOWN OF CENTREVILLE, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual -
General Fund
For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenue				
Revenue from Local Sources				
General property taxes:				
Real property taxes	\$1,620,412	\$ 1,735,412	\$ 1,786,534	\$ 51,122
Personal property taxes	46,903	46,903	47,109	206
Penalties and interest – delinquent taxes	-	-	115	115
Total General Property Taxes	<u>1,667,315</u>	<u>1,782,315</u>	<u>1,833,758</u>	<u>51,443</u>
Local income taxes	<u>165,000</u>	<u>275,000</u>	<u>297,518</u>	<u>22,518</u>
Total Taxes	<u>1,832,315</u>	<u>2,057,315</u>	<u>2,131,276</u>	<u>73,961</u>
Permits and licenses:				
Amusement	4,000	4,000	5,256	1,256
License distribution	1,500	7,500	7,821	321
Permit fees	175,000	77,000	77,134	134
Franchise fees	26,385	26,385	41,439	15,054
Other licenses and fees	-	7,955	7,958	3
Total Permits And Licenses	<u>206,885</u>	<u>122,840</u>	<u>139,608</u>	<u>16,768</u>
Charges for services:				
General government	123,200	218,200	212,322	(5,878)
Public safety	52,600	38,600	38,393	(207)
Sanitation and waste removal	195,900	245,900	231,742	(14,158)
Total Charges for Services	<u>371,700</u>	<u>502,700</u>	<u>482,457</u>	<u>(20,243)</u>
Miscellaneous revenue	<u>92,500</u>	<u>387,487</u>	<u>120,196</u>	<u>(267,291)</u>
Total Revenue from Local Sources	<u>2,503,400</u>	<u>3,070,342</u>	<u>2,873,537</u>	<u>(196,805)</u>

THE TOWN OF CENTREVILLE, MARYLAND

**Schedule of Revenue and Expenditures and Change in Fund Balance - Budget and Actual
General Fund (continued)
For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenue from intergovernmental				
State:				
Police protection	64,642	64,642	65,061	419
Highway user taxes	233,326	233,326	229,527	(3,799)
Grants	617,250	617,250	270,273	(346,977)
Total State	<u>915,218</u>	<u>915,218</u>	<u>564,861</u>	<u>(350,357)</u>
County:				
Payments in lieu of taxes	111,249	117,749	117,099	(650)
Other				-
Total County	<u>111,249</u>	<u>117,749</u>	<u>117,099</u>	<u>(650)</u>
Total Revenue from Intergovernmental	<u>1,026,467</u>	<u>1,032,967</u>	<u>681,960</u>	<u>(351,007)</u>
Total Revenues	<u>3,529,867</u>	<u>4,103,309</u>	<u>3,555,497</u>	<u>(547,812)</u>
Expenditures				
General government administration				
Legislative	38,791	32,591	29,063	3,528
Elected executive	69,593	59,093	47,843	11,250
Elections	715	715	196	519
Legal	45,659	30,659	23,724	6,935
Planning and zoning	277,667	292,067	281,784	10,283
General services	300,503	240,703	216,279	24,424
Total General Government Administration	<u>732,928</u>	<u>655,828</u>	<u>598,889</u>	<u>56,939</u>
Public safety				
Police	844,955	875,955	854,525	21,430
Volunteer fire and rescue services	45,000	45,000	45,000	-
Total Public Safety	<u>889,955</u>	<u>920,955</u>	<u>899,525</u>	<u>21,430</u>

THE TOWN OF CENTREVILLE, MARYLAND

**Schedule of Revenue and Expenditures and Change in Fund Balance - Budget and Actual
General Fund (continued)
For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Expenditures (continued)				
Public works				
Landfill	315,094	324,694	321,855	2,839
Highways and streets	454,092	476,092	408,519	67,573
Total Public Works	<u>769,186</u>	<u>800,786</u>	<u>730,374</u>	<u>70,412</u>
Parks and recreation	<u>88,698</u>	<u>90,198</u>	<u>89,720</u>	<u>478</u>
Cemetery	<u>92,262</u>	<u>105,262</u>	<u>106,770</u>	<u>(1,508)</u>
Watershed preservation	<u>512,500</u>	<u>512,500</u>	<u>191,553</u>	<u>320,947</u>
Centreville wharf	<u>-</u>	<u>-</u>	<u>1,722</u>	<u>(1,722)</u>
Capital outlay	<u>4,998,608</u>	<u>1,458,758</u>	<u>539,293</u>	<u>919,465</u>
Debt service	<u>336,285</u>	<u>336,285</u>	<u>337,300</u>	<u>(1,015)</u>
Total Expenditures	<u>8,420,422</u>	<u>4,880,572</u>	<u>3,495,146</u>	<u>1,385,426</u>
Excess (Deficiency) of Revenue over Expenditures before other Financing Sources	(4,890,555)	(777,263)	60,351	837,614
Other Financing Sources				
Bondholder proceeds	2,817,100	1,017,100	91,600	(925,500)
Commercial financing	1,953,455	-	-	-
Operating transfers in	120,000	120,000	110,000	(10,000)
Total other Financing Sources	<u>4,890,555</u>	<u>1,137,100</u>	<u>201,600</u>	<u>(935,500)</u>
Excess of Revenues and other Financing Sources over Expenditures	<u>\$ -</u>	<u>\$ 359,837</u>	<u>\$ 261,951</u>	<u>\$ (97,886)</u>

OTHER FINANCIAL INFORMATION

THE TOWN OF CENTREVILLE, MARYLAND

**Supplemental Balance Sheet - General Fund
For the Year Ended June 30, 2008**

	<u>General Fund</u>	<u>Revolving Housing Fund</u>	<u>Perpetual Care Fund</u>	<u>Total General Fund</u>
ASSETS				
Cash and cash equivalents	\$ 2,146,806	\$ 27,971	\$ 54,809	\$ 2,229,586
Investments	-		89,702	89,702
Receivables:	-	-	-	-
Taxes (net)	60,649	-	-	60,649
Accounts (net)	407,513		4,801	412,314
Accrued interest	-	-	-	-
Prepaid and other assets	26,930	-	-	26,930
Notes receivable	-	142,736	-	142,736
Due from other funds	1,944,505	49,906	28,104	2,022,515
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 4,586,403</u>	<u>\$ 220,613</u>	<u>\$ 177,416</u>	<u>\$ 4,984,432</u>
LIABILITIES				
Accounts payable	\$ 740,336	\$ -	\$ -	\$ 740,336
Accrued payroll	35,722	-	-	35,722
Escrow deferred payable	62,223	-	-	62,223
Due to other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>838,281</u>	<u>-</u>	<u>-</u>	<u>838,281</u>
FUND BALANCES				
Fund Balances:				
Encumbrances	57,367	-	-	57,367
Reserved for fund purposes		220,613	177,416	398,029
Unreserved	3,690,755	-	-	3,690,755
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,748,122</u>	<u>220,613</u>	<u>177,416</u>	<u>4,146,151</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 4,586,403</u>	<u>\$ 220,613</u>	<u>\$ 177,416</u>	<u>\$ 4,984,432</u>

THE TOWN OF CENTREVILLE, MARYLAND

**Supplemental Statement of Revenue, Expenditures, and Change in Fund Balances –
General Fund
For the Year Ended June 30, 2008**

	<u>General Fund</u>	<u>Revolving Housing Fund</u>	<u>Perpetual Care Fund</u>	<u>Total General Fund</u>
Revenues				
General property taxes	\$ 1,833,758	\$ -	\$ -	\$ 1,833,758
Other local taxes	297,518	-	-	297,518
Permits and licenses	139,608	-	-	139,608
Charges for services	482,457	-	-	482,457
Intergovernmental	681,960	-	-	681,960
Miscellaneous	112,496	342	7,358	120,196
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	3,547,797	342	7,358	3,555,497
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
General government and Administration	598,889	-	-	598,889
Public safety	899,525	-	-	899,525
Public works	730,374	-	-	730,374
Parks and recreation	89,720	-	-	89,720
Public cemetery	106,770	-	-	106,770
Watershed preservation	191,553	-	-	191,553
Centreville wharf	1,722	-	-	1,722
Capital outlay	539,293	-	-	539,293
Debt Service:				
Principal	124,867	-	-	124,867
Interest	212,433	-	-	212,433
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	3,495,146	-	-	3,495,146
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues over Expenditures	52,651	342	7,358	60,351
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses)				
Proceeds of bondholder borrowings	91,600	-	-	91,600
Operating transfers	110,000	-	-	110,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources	201,600	-	-	201,600
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	254,251	342	7,358	261,951
Fund balances, beginning of year	3,493,872	220,270	170,058	3,884,200
Fund Balances, End of Year	<u>\$3,748,123</u>	<u>\$ 220,612</u>	<u>\$ 177,416</u>	<u>\$ 4,146,151</u>

THE TOWN OF CENTREVILLE, MARYLAND

Supplemental Schedule of Revenue, Expenses and Change in Net Assets – Enterprise Fund For the Year Ended June 30, 2008

Revenues

Charges for services:

Sewer allocation fees	\$	627,676
Water allocation fees		368,709
Sewer		631,494
Water		424,484
Water penalty		15,865
Sewer vacant lots		40,311
Meter equipment		21,545
Connection charges		7,074
I&I study charge		16,583
Sale of crops		5,961
Other fines and forfeitures		300
Total Charges for Services		<u>2,160,002</u>

Miscellaneous revenue

Investment Earnings		<u>148,426</u>
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Total Revenue		2,308,428
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Expenditures

Public works

Sewer		915,842
Water		529,522
Farm		904
Total Public Works		<u>1,446,268</u>

Debt service

Interest		63,979
Administrative Fee		9,184
Total Debt Service		<u>73,163</u>
Total Expenditures		<u>1,519,431</u>

Excess of Revenues Over Expenditures Before Contributions		<u>788,997</u>
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Capital Contributions

		<u>179,000</u>
Change in net assets	\$	<u>967,997</u>