

TOWN OF CENTREVILLE, MARYLAND

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

For the Year Ended June 30, 2009



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

JUNE 30, 2009

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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, and each major fund, of the Town of Centreville, Maryland (the Town), as of and for the year ended June 30, 2009, 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, and each major fund, of the Town, as of June 30, 2009, 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.

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 Revenue, Expenditures, and Change in Fund Balances and the 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 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, MD
February 4, 2010



THE TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2009

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, 2009. 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 \$36.8 million (*net assets*). Of this amount, \$10.2 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 \$2.8 million. This increase is attributable to effective cost management despite revenue decreasing. Business-type activities have increased \$1.1 million while governmental activities saw an increase of \$1.7 million.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8.3 million, an increase of \$1.2 million in comparison with the prior year. Most of this increase is the result of proceeds from bond offerings.
- At the end of the current fiscal year, the unreserved undesignated fund balance for the general fund was \$4.8 million or 156 percent of total general fund expenditures.
- The Town's total net debt increased by \$1.5 million through normal principal payments, net of borrowings, to a year-end balance of \$9.4 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 are 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 TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS *(continued)*

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 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 OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2009

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 (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, 2009 and 2008
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
Assets						
Current and other assets	\$ 8,744	\$ 7,935	\$ 8,217	\$ 7,336	\$ 16,961	\$ 15,271
Capital assets, net	10,273	8,044	20,781	19,402	31,054	27,446
Total Assets	<u>19,017</u>	<u>15,979</u>	<u>28,998</u>	<u>26,738</u>	<u>48,015</u>	<u>42,717</u>
Liabilities						
Current liabilities	470	926	1,765	1,883	2,235	2,809
Noncurrent liabilities	3,827	1,992	5,151	3,861	8,978	5,853
Total Liabilities	<u>4,297</u>	<u>2,918</u>	<u>6,916</u>	<u>5,744</u>	<u>11,213</u>	<u>8,662</u>
Net Assets						
Invested in capital assets, net of related debt	6,376	5,925	15,298	15,096	21,674	21,021
Restricted	4,926	6,113	-	-	4,926	6,113
Unrestricted	3,418	1,023	6,784	5,898	10,202	6,921
Total Net Assets	<u>\$ 14,720</u>	<u>\$ 13,061</u>	<u>\$ 22,082</u>	<u>\$ 20,994</u>	<u>\$ 36,802</u>	<u>\$ 34,055</u>

Restricted 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, 2009

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

Table A-2
Condensed Statements of Activities
For the Years Ended June 30, 2009 and 2008
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
Revenue						
Program revenue						
Charges for services	\$ 515	\$ 607	\$ 1,966	\$ 2,154	\$ 2,481	\$ 2,761
Operating grants and contributions	614	682	-	-	614	682
Capital Grants and Contributions	1,261	-	990	179	2,251	179
General Revenue						
Real property Taxes	1,961	1,787	-	-	1,961	1,787
Other income Taxes	292	344	-	-	292	344
Other	186	316	97	154	283	470
Total Revenue	4,829	3,736	3,053	2,487	7,882	6,223
Program Expenses						
General Government	586	614	-	-	586	614
Public Safety	935	929	-	-	935	929
Public Works	1,176	1,002	-	-	1,176	1,002
Parks, Recreation, and Culture	79	98	-	-	79	98
Cemetery	89	106	-	-	89	106
Watershed preservation	115	192	-	-	115	192
Centreville wharf	2	2	-	-	2	2
Interest on long-term debt	188	139	-	-	188	139
Enterprise expenses						
Water services	-	-	800	539	800	539
Sewer services	-	-	1,165	979	1,165	979
Farm services	-	-	1	1	1	1
Total Program Expenses	3,170	3,082	1,966	1,519	5,136	4,601
Change in net assets	1,659	654	1,087	968	2,746	1,622
Net asset, beginning of year as previously reported	-	12,329	-	20,027	-	32,356
Effect of restatement of year	-	78	-	-	-	78
Net assets, beginning of year, as restated	13,061	12,407	20,995	20,027	34,056	32,434
Net Assets, End of Year	\$ 14,720	\$ 13,061	\$ 22,082	\$ 20,995	\$ 36,802	\$ 34,056

THE TOWN OF CENTREVILLE, MARYLAND

**Management’s Discussion and Analysis
June 30, 2009**

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

Governmental Activities

Revenue from the Town’s governmental activities was \$4.8 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 (\$0.5 million), or
 - Other governments and organizations that subsidized certain programs with grants and contributions (\$1.9 million).
- The Town financed the remaining \$0.7 million “public benefit” portion of governmental activities with 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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General government	\$ 586	\$ 614	\$ (1,049)	\$ (337)
Public safety	935	929	866	863
Public works	1,176	1,002	739	770
Parks and recreation	79	98	79	98
Cemetery	89	106	65	67
Watershed preservation	115	192	(111)	192
Centreville wharf	2	2	2	2
Total	<u>\$ 2,982</u>	<u>\$ 2,943</u>	<u>\$ 591</u>	<u>\$ 1,655</u>

Business-type Activities

Revenue from the Town’s business-type activities was \$3.1 million and expenses were \$2 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 2009.
- 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, 2009**

FINANCIAL ANALYSIS OF THE TOWN AS WHOLE (continued)

**Table A-4
Revenue Classified by Source
General Fund
For the Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>Percent of Total</u>	<u>2008</u>	<u>Percent of Total</u>
Revenue and Other Financing Sources				
General property taxes	\$ 2,002,666	47.5%	\$ 1,833,758	48.8%
Other local taxes	250,148	5.9	297,518	7.9
Permits and licenses	130,988	3.1	139,608	3.7
Charges for services	377,876	9.0	482,457	12.8
Intergovernmental	573,182	13.6	681,960	18.3
Loan Proceeds	1,981,707	46.9	91,600	2.4
Miscellaneous	41,813	.9	120,196	3.2
Operating transfers	(1,136,192)	(26.9)	110,000	2.9
Total Revenue and Other Financing Sources	<u>\$ 4,222,188</u>	<u>100.0%</u>	<u>\$ 3,757,097</u>	<u>100.0%</u>

**Table A-5
Expenditures by Function
General Fund
For the Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>Percent of Total</u>	<u>2008</u>	<u>Percent of Total</u>
Expenditures				
Current operations:				
General government administration	\$ 573,162	18.7%	\$ 598,889	17.3%
Public safety	899,478	29.4	899,525	25.6
Public works	807,082	26.4	730,374	20.9
Parks and recreation	78,628	2.6	89,720	2.6
Cemetery	88,989	3.0	106,770	3.0
Watershed preservation	114,995	3.8	191,553	5.5
Centreville wharf	2,120	0.1	1,722	0.1
Capital outlay	152,817	5.0	539,293	15.3
Debt service:				
Principal	130,777	4.3	124,867	3.6
Interest	206,724	6.7	212,433	6.1
Total Expenditures	<u>\$ 3,054,772</u>	<u>100.0%</u>	<u>\$ 3,495,146</u>	<u>100.0%</u>

THE TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2009

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 2009 budgeted funds included decreases to several areas of the budget including various capital projects and improvements. Grant revenue were decreased based on project and/or improvement completion timelines.

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 \$31.1 million and \$27.2 million, as of June 30, 2009 and June 30, 2008 respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, utility facilities, as well as other typical capital items.

This year's major capital additions included:

- Road, sewer, and water improvements on Chesterfield Avenue, Elm and Water Streets
- Donated infrastructure consisting of road, sewer and water improvements by developer within Phase II of Symphony Village development
- Replacement of police vehicles
- Purchase of Vactron Vaccum, Cab Tractor and Excavator
- Purchase of a used Heil Contractor Dump truck

THE TOWN OF CENTREVILLE, MARYLAND

**Management's Discussion and Analysis
June 30, 2009**

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	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,518	\$ 2,518	\$ 1,161	\$ 1,161	\$ 3,679	\$ 3,679
Buildings and improvements	7,171	4,400	19,115	17,838	26,286	22,238
Equipment	408	392	114	43	522	435
Construction in progress	175	661	390	240	565	901
Total	\$ 10,272	\$ 7,971	\$ 20,780	\$ 19,282	\$ 31,052	\$ 27,253

Long-term Debt

As of June 30, 2009, the Town had \$9.4 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 8 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Mortgage loans	\$ 1,938	\$ 1,970	\$ -	\$ -	\$ 1,938	\$ 1,970
Loans from USDA	-	-	1,000	1,012	1,000	1,012
Loans from MD DOE	-	-	992	1,176	992	1,176
CDA LGIF Bond	2,623	2,722	4,210	4,338	6,833	7,060
Subtotal	4,561	4,692	6,202	6,526	10,763	11,218
Less undrawn proceeds	665	2,646	718	2,341	1,383	4,987
Total	\$ 3,896	\$ 2,046	\$ 5,484	\$ 4,185	\$ 9,380	\$ 6,231

THE TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2009

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 grows 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 (Plan) was updated in 2009 as part of the planning process and is currently undergoing an amendment process. The Plan addresses 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. Since 2000, the Town has been the fastest growing in the State of Maryland, and this pace may continue. The Plan also addresses 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. In addition, State Highway User Revenue transfers to municipalities were cut 90% in 2009 and are not likely to be restored to the state budget in the anticipated future. For Centreville, this cut reduced revenue by more than \$150,000.

During 2008 and 2009, the Town bid and completed a major reconstruction of Chesterfield Avenue (Route 304), 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 part of the Town's long-term capital planning. Planning is currently underway for a similar reconstruction project for the rest of Route 304 in town (Railroad Avenue and Water Street), east of Liberty Street.

THE TOWN OF CENTREVILLE, MARYLAND

Management's Discussion and Analysis June 30, 2009

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 that 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. Long-term financing for utility infrastructure has been obtained from and continues to be sought through the Maryland Department of the Environment's (MDE) Water Quality Financing Administration.

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

Since 2006, the Town has added advanced treatment systems to the two wells now supplying drinking water to the Town. The North Brook Water Treatment Facility (WTF) was completed in 2007 and a second and similar WTF in the Centreville Business Park was 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, 2009

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 to 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. It was repainted in 2009. The draft report on the Water Distribution System provided by the Town engineers in 2007 indicates that approximately 600,000 gallons of additional elevated water storage is needed in the near term to maintain an adequate supply and pressure of water for drinking and fire control; even larger volumes will be needed as the Town grows. The Town is currently considering suitable sites on public lands for construction of additional storage capacity. These needs warrant the Town's additional financial appropriations and will impact future capital expenditures.

Water System: Distribution

The draft report on 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. Designs for this loop are completed, and additional piping and meter replacements should also be considered for older parts of the system. 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, 2009

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. Four of the town's five pump stations are new or recently upgraded, but additional improvements are needed for the Wharf Pump Station and older 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 unnecessary 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 increasing 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 in providing additional wastewater 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 (at the Centreville Water Reuse Area, a farm 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 Sprayfield 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, 2009

SUBSEQUENT ITEMS FOR FUTURE FINANCIAL STATEMENTS *(continued)*

Municipal Facilities

The Town's employees are scattered among four municipal 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, shared space with other government entities, 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
As of June 30, 2009**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,714,315	\$ 9,092,468	\$ 10,806,783
Investments	3,967,901	112,448	4,080,349
Receivables:			
Taxes, net	47,905	220	48,125
Accounts, net	280,317	1,387,734	1,668,051
Interest	33,826	208	34,034
Prepays and other assets	22,339	-	22,339
Notes receivable	123,865	-	123,865
Internal balances	2,486,812	(2,486,812)	-
Total Current Assets	8,677,280	8,106,266	16,783,546
Non-current Assets			
Unamortized bond issuance costs	66,379	111,304	177,683
Capital assets, net	10,097,887	20,390,716	30,488,603
Construction in progress	174,885	390,342	565,227
Total Non-current Assets	10,339,151	20,892,362	31,231,513
TOTAL ASSETS	19,016,431	28,998,628	48,015,059
LIABILITIES			
Current Liabilities			
Accounts payable	293,993	454,459	748,452
Accrued payroll	35,772	8,276	44,048
Deferred revenue	-	970,544	970,544
Long term debt, current portion	139,907	331,875	471,782
Total Current Liabilities	469,672	1,765,154	2,234,826
Non-current Liabilities			
Long term debt, net of current portion	3,756,751	5,150,828	8,907,579
Compensated absences, net of current portion	70,056	-	70,056
Total Non-current Liabilities	3,826,807	5,150,828	8,977,635
Total Liabilities	4,296,479	6,915,982	11,212,461
NET ASSETS			
Invested in capital assets, net of related debt	6,376,114	15,298,355	21,674,469
Restricted	4,925,822	-	4,925,822
Unrestricted	3,418,016	6,784,291	10,202,307
Total Net Assets	\$ 14,719,952	\$ 22,082,646	\$ 36,802,598

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, 2009**

<u>Functions/Programs</u>	<u>Program Revenue</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 586,081	\$ 253,730	\$ 120,049	\$ 1,261,496
Public safety	934,874	120	68,458	-
Public works	1,176,304	237,314	199,516	-
Parks and recreation	78,831	-	-	-
Cemetery	88,915	23,950	-	-
Watershed preservation	114,995	-	225,532	-
Centreville wharf	2,120	-	-	-
Interest	187,380	-	-	-
Total governmental activities	<u>3,169,500</u>	<u>515,114</u>	<u>613,555</u>	<u>1,261,496</u>
Business-type activities:				
Sewer	1,164,753	1,147,915	-	817,400
Water	800,299	809,889	-	172,984
Farm	1,236	8,401	-	-
Total business-type activities	<u>1,966,288</u>	<u>1,966,205</u>	<u>-</u>	<u>990,384</u>
Total primary government	<u>\$ 5,135,788</u>	<u>\$ 2,481,319</u>	<u>\$ 613,555</u>	<u>\$ 2,251,880</u>

General revenue:

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

Total general revenue

Change in net assets

Net assets, beginning of year,

Net Assets, End of Year

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, 2009**

Governmental Activities	Business-type Activities	Total
\$ 1,049,194	\$ -	\$ 1,049,194
(866,295)	-	(866,295)
(739,474)	-	(739,474)
(78,831)	-	(78,831)
(64,965)	-	(64,965)
110,536	-	110,536
(2,120)	-	(2,120)
(187,380)	-	(187,380)
(779,335)	-	(779,335)
-	800,561	800,561
-	182,575	182,575
-	7,165	7,165
-	990,301	990,301
(779,335)	990,301	210,966
1,961,051	-	1,961,051
41,615	-	41,615
250,148	-	250,148
1,334	-	1,334
210,554	97,455	308,009
(5,175)	-	(5,175)
(21,259)	-	(21,259)
2,438,268	97,455	2,535,723
1,658,933	1,087,756	2,746,689
13,061,019	20,994,890	34,055,909
\$ 14,719,952	\$ 22,082,646	\$ 36,802,598

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

THE TOWN OF CENTREVILLE, MARYLAND

**Balance Sheet – Governmental Funds
As of June 30, 2009**

ASSETS	General Fund	Capital Project Fund	Permanent Fund	Total
Cash and cash equivalents	\$ 1,588,225	\$ -	\$ 126,090	\$ 1,714,315
Investments	89,702	-	3,878,199	3,967,901
Receivables				
Taxes, net	47,905	-	-	47,905
Accounts, net	280,317	-	-	280,317
Interest	-	193	33,633	33,826
Prepays and other assets	22,339	-	-	22,339
Notes receivable	123,865	-	-	123,865
Due from other funds	3,511,035	-	-	3,511,035
Total Assets	\$ 5,663,388	\$ 193	\$ 4,037,922	\$ 9,701,503
 LIABILITIES				
Accounts payable	\$ 275,676	\$ -	\$ -	\$ 275,676
Accrued payroll	35,772	-	-	35,772
Deferred revenue	38,373	-	-	38,373
Due to other funds	-	860,534	163,689	1,024,223
Total Liabilities	349,821	860,534	163,689	1,374,044
 FUND BALANCES				
Reserved for:				
Prepaid	22,339	193	-	22,532
Notes receivables	123,865	-	-	123,865
Encumbrances	-	-	3,874,233	4,260,996
Fund purposes	386,762	-	-	-
Unreserved	4,780,601	(860,534)	-	3,920,067
Total Fund Balances	5,313,567	(860,341)	3,874,233	8,327,459
Total Liabilities and Fund Balances	\$ 5,663,388	\$ 193	\$ 4,037,922	\$ 9,701,503

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, 2009**

Total Governmental Fund Balances		\$	8,327,459
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			
			10,272,772
Other assets are not available to pay for current period expenditures and, therefore are deferred in the funds:			
Deferred revenue			38,373
Unamortized bond costs			66,379
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	\$	(18,317)	
Bond payable net of issuance costs		(3,896,658)	
Compensated absences		(70,056)	
			<u>(3,985,031)</u>
Net Assets of Governmental Activities		\$	<u>14,719,952</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, 2009**

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Permanent Fund</u>	<u>Total</u>
Revenue				
General property taxes	\$ 2,002,666	\$ -	\$ -	\$ 2,002,666
Local income taxes	250,148	-	-	250,148
Permits and licenses	130,988	-	-	130,988
Charges for services	377,876	-	-	377,876
Intergovernmental	573,182	-	-	573,182
Miscellaneous				
Other	13,464	-	-	13,464
Investment earnings	11,849	-	198,705	210,554
Gains, losses and changes in fair market value	-	-	(5,175)	(5,175)
Fees and charges	16,500	-	(10,516)	5,984
Total Revenue	<u>3,376,673</u>	<u>-</u>	<u>183,014</u>	<u>3,559,687</u>
Expenditures				
Current:				
General government administration	573,162	-	-	573,162
Public safety	899,478	-	-	899,478
Public works	807,082	-	-	807,082
Parks and recreation	78,628	-	-	78,628
Cemetery	88,989	-	-	88,989
Watershed preservation	114,995	-	-	114,995
Centreville wharf	2,120	-	-	2,120
Capital outlay	152,817	1,256,191	-	1,409,008
Debt service:				
Principal	130,777	-	-	130,777
Interest	206,724	-	-	206,724
Total Expenditures	<u>3,054,772</u>	<u>1,256,191</u>	<u>-</u>	<u>4,310,963</u>
Excess (deficiency) of Revenue over Expenditures before Other Financing Sources (Uses)	<u>321,901</u>	<u>(1,256,191)</u>	<u>183,014</u>	<u>(751,276)</u>
Other Financing Sources (Uses)				
Proceeds of bond borrowings	1,981,707	-	-	1,981,707
Operating Transfers	(1,136,192)	1,256,192	(120,000)	-
Total Other Financing Sources (Uses)	<u>845,515</u>	<u>1</u>	<u>(120,000)</u>	<u>1,981,707</u>
Excess (deficiency) of Revenue and other Financing Sources over Expenditures	1,167,416	1	63,014	1,230,431
Fund Balances, beginning of year	<u>4,146,151</u>	<u>(860,342)</u>	<u>3,811,219</u>	<u>7,097,028</u>
Fund Balances, End of Year	<u>\$ 5,313,567</u>	<u>\$ (860,341)</u>	<u>\$ 3,874,233</u>	<u>\$ 8,327,459</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 Statements of Activities
For the Year Ended June 30, 2009**

Net Change in Fund Balances – Total Government Fund	\$ 1,230,431
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 (\$1,424,255) is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation (\$413,879) in the current period.	1,010,376
Donated assets recorded in government-wide statements.	1,261,496
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.	(1,850,930)
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	19,325
Amortization of bond costs	(6,543)
Change in deferred revenue	23,850
Loss on disposal of assets	(36,503)
Accrued compensated absences	7,431
Change in Net Assets of Governmental Activities	\$ 1,658,933

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

THE TOWN OF CENTREVILLE, MARYLAND

Statement of Net Assets – Proprietary Funds As of June 30, 2009

	<u>Enterprise Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 9,092,468
Investments	112,448
Receivables:	
Interest	208
Accounts, net	1,387,734
Taxes, net	220
Total Current Assets	<u>10,593,078</u>
Non-current Assets	
Unamortized bond issuance costs	111,304
Capital assets, net	20,390,716
Construction in progress	390,342
Total Non-current Assets	<u>20,892,362</u>
Total Assets	<u>31,485,440</u>
LIABILITIES	
Current Liabilities	
Accounts payable	454,459
Accrued payroll	8,276
Due to other funds	2,486,812
Deferred revenue	970,544
Long term debt, current portion	331,875
Total Current Liabilities	<u>4,251,966</u>
Non-current Liabilities	
Long term debt, net of current portion	<u>5,150,828</u>
Total Liabilities	<u>9,402,794</u>
NET ASSETS	
Invested in capital assets, net of related debt	15,298,355
Unrestricted	6,784,291
Total Net Assets	<u>\$ 22,082,646</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 Fund
For the Year Ended June 30, 2009**

Operating Revenue	\$ 1,966,205
Operating Expenses	
Salaries and benefits	313,814
Contracted services	535,044
Depreciation	521,052
Utilities	262,904
Repairs and maintenance	45,597
Other operating expenses	36,515
Total Operating Expense	<u>1,714,926</u>
Operating Income before Non-Operating Revenue (Expense)	251,279
Non-Operating Revenue (Expense)	
Capital contributions	990,384
Interest expense	(251,362)
Investment earnings	97,455
Total Non-Operating Revenue	<u>836,477</u>
Change in net assets	1,087,755
Net Assets, beginning of year	<u>20,994,890</u>
Net Assets, End of Year	<u>\$ 22,082,646</u>

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

THE TOWN OF CENTREVILLE, MARYLAND

Statement of Cash Flows – Proprietary Fund For the Year Ended June 30, 2009

Cash Flows from Operating Activities:	
Cash received from customers	\$ 966,177
Cash received from allocations and planning	769,228
Cash paid for supplies, services, etc.	(999,032)
Cash paid for employees	(311,648)
Net cash from operating activities	<u>424,725</u>
Cash Flows from Investing Activities:	
Interest on cash deposits and investments	110,875
Cash Flows from Capital and Related Financing Activities:	
Purchases/construction of capital assets	(1,039,491)
Interest paid on debt	(243,274)
Principal paid on debt	(324,614)
Proceeds from loans	1,621,909
Net cash from financing activities	<u>14,530</u>
Cash Flows from Non-capital Financing Activities:	
Transfers from other funds	<u>1,493,223</u>
Net increase in cash and cash equivalents	2,043,353
Cash and cash equivalents, beginning of year	7,049,115
Cash and Cash Equivalents, End of Year	<u>\$ 9,092,468</u>
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating income	\$ 251,279
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	521,052
Effect of changes in operating assets and liabilities:	
Receivables, net	(230,800)
Payables and accrued expenses	(267,759)
Deferred revenue	150,953
Net Cash from operating activities	<u>\$ 424,725</u>

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

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements

June 30, 2009

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 revenue, 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 revenue. Direct expenses are those that are clearly identifiable with a specific function. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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, 2009

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 revenue 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 GASB No. 20 to not implement Financial Accounting Standards Board (FASB) pronouncements issued on or after November 30, 1989.

The government reported three major governmental funds in 2009: 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 2009: the Water and Sewer Enterprise Fund. This fund accounts for the Town's water and sewer operations.

Program revenue 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 revenue and expenses from non-operating items. Operating revenue 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 revenue of the water and sewer fund are charges to customers for services. All revenue and expenses not meeting this definition are reported as non-operating revenue 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, 2009

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, 2009 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, 2009**

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	\$ 3,511,035	\$ -	\$ 3,426,756
Capital Project Fund	-	860,534	(860,534)
Permanent Fund	-	163,689	(163,689)
	<u>\$ 3,511,035</u>	<u>\$ 1,024,223</u>	<u>\$ 2,486,812</u>
Business-type Activities	<u>\$ -</u>	<u>\$ 2,486,812</u>	<u>\$ 2,486,812</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, 2009

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, 2009

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

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

Property Tax Calendar

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

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 is presented with a proposed budget. Prior to the beginning of each fiscal year, the Council considers and adopts an annual budget which establishes the property tax levy for the coming year. The budget provides a complete financial plan in that it contains estimated revenue and proposed expenditures adopted on a basis consistent with generally accepted accounting principles. The estimated revenue 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, so 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, 2009

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, 2009 the Town's bank balance of cash deposits with financial institutions totaled \$10,806,783, of which \$250,000 was covered by Federal Deposit Insurance Corporation. The remaining \$10,556,783 are collateralized in accordance with state regulations. Centreville National Bank and/or designated custodian have issued an irrevocable letter of credit for \$10 million, balances maintained above the letter of credit limit are covered by 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, 2009.

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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Cash and Investments	\$5,682,216	\$9,204,916	\$14,887,132

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

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 11,474,263
Federal Home Loan Mortgage Corp.	1,390,209
Federal National Mortgage Assn.	752,768
Federal Home Loan Bank	966,297
Federal Farm Credit Bank	<u>303,595</u>
Total	<u>\$ 14,887,132</u>

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements

June 30, 2009

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 \$4,080,349 of investments \$3,473,453 held by National Financial Services, LLC (NFS), a Fidelity Investments company, up to \$500,000 are protected with the Securities Investor Protection Corporation (SIPC). NFS provides supplemental coverage for total account net equity in excess of the SIPC coverage. The remaining investment balance of \$606,896 is collateralized with the Centreville National Bank as mentioned in the Deposits footnote above. As of June 30, 2009, 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, 2009**

4. DUE FROM OTHER GOVERNMENTS

As of June 30, 2009, due from other governments, a component of taxes receivable, is summarized as follows:

General Fund:			
State of Maryland			
Highway User Tax		\$	23,182
Income Tax			18,638
Admissions Tax			1,035
Total Due from Other Governments		\$	<u>42,855</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 2009. Settlement amounts have not exceeded insurance coverage for the past three years.

6. CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2009 were as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated:				
Land	\$ 2,517,892	\$ -	\$ -	\$ 2,517,892
Construction in Progress	661,185	77,925	564,225	174,885
Total Capital Assets Not Being Depreciated	<u>3,179,077</u>	<u>77,925</u>	<u>564,225</u>	<u>2,692,777</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	7,115,038	3,121,697	50,023	10,186,712
Equipment	891,473	101,450	-	992,923
Total Capital Assets Being Depreciated	<u>8,006,511</u>	<u>3,223,147</u>	<u>50,023</u>	<u>11,179,635</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	2,715,051	329,423	28,764	3,015,710
Equipment	499,470	84,456	-	583,926
Total Accumulated Depreciation	<u>3,214,521</u>	<u>413,879</u>	<u>28,764</u>	<u>3,599,636</u>
Total Capital Assets Being Depreciated, Net	<u>4,791,990</u>	<u>2,809,268</u>	<u>21,255</u>	<u>7,580,003</u>
Capital Assets, Net	<u>\$ 7,971,067</u>	<u>\$ 2,887,193</u>	<u>\$ 585,489</u>	<u>\$ 10,272,772</u>

THE TOWN OF CENTREVILLE, MARYLAND

**Notes to the Financial Statements
June 30, 2009**

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	239,800	343,003	192,461	390,342
Total Capital Assets Not Being Depreciated	<u>1,400,663</u>	<u>343,003</u>	<u>192,461</u>	<u>1,551,205</u>
Capital Assets Being Depreciated:				
Land Improvements, Buildings and Improvements	20,226,932	1,784,471	-	22,011,403
Equipment and Other	210,774	85,339	-	296,113
Total Capital Assets Being Depreciated	<u>20,437,706</u>	<u>1,869,810</u>	<u>-</u>	<u>22,307,516</u>
Less Accumulated Depreciation for:				
Land Improvements, Buildings and Improvements	2,388,660	506,290	-	2,894,950
Equipment and Other	167,951	14,762	-	182,713
Total Accumulated Depreciation	<u>2,556,611</u>	<u>521,052</u>	<u>-</u>	<u>3,077,663</u>
Total Capital Assets Being Depreciated, Net	<u>17,881,095</u>	<u>1,348,758</u>	<u>-</u>	<u>19,229,853</u>
Capital Assets, Net	<u>\$ 19,281,758</u>	<u>\$ 1,691,761</u>	<u>\$ 192,461</u>	<u>\$ 20,781,058</u>

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

Governmental Activities:

General Government	\$ 13,110
Public Safety	30,138
Public Works	370,195
Parks and Recreation	<u>436</u>

Total Depreciation Expense, Governmental Activities \$ 413,879

Business-type Activities:

Sewer	\$ 352,832
Water	<u>168,220</u>

Total Depreciation Expense, Business-type Activities \$ 521,052

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements June 30, 2009

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. Management does not believe any material liability will result from such audits.

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 \$ 2,623,350

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 1,938,134

Total 4,561,484

Less: undrawn proceeds 664,826

Total Governmental Activities 3,896,658

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 2,380,875

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 1,829,000

THE TOWN OF CENTREVILLE, MARYLAND

**Notes to the Financial Statements
June 30, 2009**

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

991,630

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

999,503

Total

6,201,008

Less: undrawn proceeds

718,305

Total Business-type Activities

5,482,703

Total

\$ 9,379,361

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, 2009**

8. LONG TERM LIABILITIES (continued)

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 139,907	\$ 199,900
2011	144,117	194,141
2012	148,209	188,448
2013	152,774	182,088
2014	163,596	177,207
2014 – 2037	3,812,881	1,807,103
	<u>\$ 4,561,484</u>	<u>\$ 2,748,887</u>

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 331,875	\$ 227,707
2011	339,688	219,813
2012	347,053	211,673
2013	355,471	203,308
2014	363,441	196,828
2014- 2043	4,463,480	2,243,780
	<u>\$ 6,201,008</u>	<u>\$ 3,303,109</u>

The following is a summary of changes in long term liabilities and compensated absences of the Town for the year ended June 30, 2009:

	<u>Water and Sewer Fund</u>	<u>Capital Project Fund</u>	<u>General Long-Term Debt</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance, beginning of year	\$ 6,525,622	\$ 2,722,300	\$ 1,969,957	\$ 77,487	\$ 11,295,366
Increases	-	-	-	-	-
Decreases	(324,614)	(98,950)	(31,823)	(7,431)	(462,818)
Balance, End of Year	6,201,008	2,623,350	1,938,134	70,056	10,832,548
Less: undrawn bond proceeds	718,305	664,826	-	-	1,383,131
Total long-term debt, governmental	-	<u>\$ 1,958,524</u>	<u>\$ 1,938,134</u>	<u>\$ 70,056</u>	<u>\$ 3,966,714</u>
Total long-term debt, business-type	<u>\$ 5,482,703</u>				<u>\$ 5,482,703</u>

General funds have been historically used to liquidate non-debt long term liability.

Interest expense was \$251,362 and \$134,569 for the Business-Type and the Governmental Activities, respectively, for 2009.

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements

June 30, 2009

9. COMMITMENTS AND CONTINGENCIES

Construction Projects

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. Construction was finalized September 2009.

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 was complete as of December 2008.

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 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 \$4,775,091 as of June 30, 2009.

THE TOWN OF CENTREVILLE, MARYLAND

Notes to the Financial Statements

June 30, 2008

9. COMMITMENTS AND CONTINGENCIES *(continued)*

Employment Contracts

The Town has an employment agreement with its Town Manager dated April 2006 for a term of three years. In April 2009 the Town renewed the employment contract with the Town Manager for a one year term. The Town also has a contract with the Chief of Police effective March 2009 this employment contract is for a one year term. Both contracts may be terminated by either the Town or the employee.

Contractual Agreements

The Town has an annual renewable 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 \$339,002 for FY09. MES also provides services for solid waste disposal at the plant.

As of June 2009 the Town amended the agreement with MES to continue to provide operation of the Town's water and wastewater treatment plants until September 30, 2009.

In September 2008, Cahall LLC was awarded a contract for curbside garbage collection. The contract is for a two year period and provides the Town the ability to extend the contract for an additional one year period if mutually agreed upon by the Contractor. The total estimated cost of the service is \$113,330.

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 \$10,762,489, 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 \$542,292,328. Currently, the borrowing limit is \$108,458,466.

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 Management Associates, LLC and is required to contribute 5% of earned income for eligible employees. Employees must be 21 years of age, employed for one year of continuous service, and credited with at least 1,000 hours of service for the plan year. During the fiscal year ended June 30, 2009, 21 employees participated in the plan. Participants are 100 percent vested upon entry into the plan. The Town's pension expense was \$63,763 in 2009.

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 \$6,891 for fiscal year 2009. 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

The Town of Centreville requested Maryland Environmental Service (MES) to extend the termination date of the amended agreement to provide operation of the Town's water and wastewater plants by an additional 90 days from September 30, 2009. The Service has agreed to the Town's request.

During November 2009, the Town awarded two contracts to Pleasants Construction Inc for the sanitary sewer rehabilitation projects identified as Route 213 (Liberty/Commerce Streets) and MD Route 304 (Railroad Avenue) for \$1,075,080 and \$877,080, respectively. Construction of these projects is to begin December 2009.

The Town received bond financing December 2009 in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA) from the Maryland Department of the Environment, Maryland Water Quality Financing Administration in the aggregate of \$2,300,000 for the purpose of financing eligible projects.

REQUIRED SUPPLEMENTARY INFORMATION

THE TOWN OF CENTREVILLE, MARYLAND

**Schedule of Revenue, Expenditures, and Change in Fund Balances - Budget and Actual -
General Fund
For the Year Ended June 30, 2009**

	<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	\$ 1,821,111	\$ 1,951,111	\$ 1,961,051	\$ 9,940
Personal property taxes	48,051	48,051	41,615	(6,436)
Penalties and interest – delinquent taxes	-	-	-	-
Total General Property Taxes	<u>1,869,162</u>	<u>1,999,162</u>	<u>2,002,666</u>	<u>3,504</u>
Local income taxes	<u>180,000</u>	<u>245,000</u>	<u>250,148</u>	<u>5,148</u>
Total Taxes	<u>2,049,162</u>	<u>2,244,162</u>	<u>2,252,814</u>	<u>8,652</u>
Permits and licenses:				
Amusement	4,800	4,800	4,612	(188)
License distribution	8,200	8,200	8,604	404
Permit fees	150,000	70,000	64,234	(5,766)
Franchise fees	39,000	39,000	44,275	5,275
Other licenses and fees	-	-	9,263	9,263
Total Permits And Licenses	<u>202,000</u>	<u>122,000</u>	<u>130,988</u>	<u>8,988</u>
Charges for services:				
General government	192,150	192,650	106,212	(86,438)
Public safety	49,900	37,900	34,350	(3,550)
Sanitation and waste removal	250,900	250,900	237,314	(13,586)
Total Charges for Services	<u>492,950</u>	<u>481,450</u>	<u>377,876</u>	<u>(103,574)</u>
Miscellaneous revenue	<u>78,600</u>	<u>28,100</u>	<u>41,813</u>	<u>13,713</u>
Total Revenue from Local Sources	<u>2,822,712</u>	<u>2,875,712</u>	<u>2,803,491</u>	<u>(72,221)</u>

THE TOWN OF CENTREVILLE, MARYLAND

**Schedule of Revenue, Expenditures, and Change in Fund Balance - Budget and Actual
General Fund (continued)
For the Year Ended June 30, 2009**

	<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	70,200	70,200	68,458	(1,742)
Highway user taxes	235,000	205,289	199,516	(5,773)
Grants	827,500	217,250	187,158	(30,092)
Total State	<u>1,132,700</u>	<u>492,739</u>	<u>455,132</u>	<u>(37,607)</u>
County:				
Payments in lieu of taxes	111,249	111,249	118,050	6,801
Total Revenue from Intergovernmental	<u>1,243,949</u>	<u>603,988</u>	<u>573,181</u>	<u>(30,806)</u>
Total Revenue	<u>4,066,661</u>	<u>3,479,700</u>	<u>3,376,672</u>	<u>(103,028)</u>
Expenditures				
General government administration				
Legislative	92,933	110,933	94,917	16,016
Elected executive				
Elections				
Legal	47,900			
Planning and zoning	406,734	311,134	245,911	65,223
General services	305,994	305,994	232,334	73,660
Total General Government Administration	<u>853,561</u>	<u>728,061</u>	<u>573,162</u>	<u>154,899</u>
Public safety				
Police	915,308	947,453	854,478	92,975
Volunteer fire and rescue services	45,000	45,000	45,000	-
Total Public Safety	<u>960,308</u>	<u>992,453</u>	<u>899,478</u>	<u>92,975</u>

THE TOWN OF CENTREVILLE, MARYLAND

**Schedule of Revenue, Expenditures, and Change in Fund Balance - Budget and Actual
General Fund (continued)
For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Expenditures (continued)				
Public works				
Landfill	335,901	369,401	346,875	22,526
Highways and streets	503,238	481,771	460,207	21,564
Total Public Works	<u>839,139</u>	<u>851,172</u>	<u>807,082</u>	<u>44,090</u>
Parks and recreation	<u>103,317</u>	<u>91,897</u>	<u>78,628</u>	<u>13,269</u>
Cemetery	<u>-</u>	<u>107,742</u>	<u>88,989</u>	<u>18,753</u>
Watershed preservation	<u>632,613</u>	<u>340,113</u>	<u>114,995</u>	<u>225,118</u>
Centreville wharf	<u>30,000</u>	<u>15,000</u>	<u>2,120</u>	<u>12,880</u>
Capital outlay	<u>3,145,149</u>	<u>2,410,416</u>	<u>152,817</u>	<u>2,257,599</u>
Debt service	<u>337,501</u>	<u>337,501</u>	<u>337,501</u>	<u>-</u>
Total Expenditures	<u>6,901,588</u>	<u>5,874,355</u>	<u>3,054,772</u>	<u>2,819,583</u>
Excess (Deficiency) of Revenue over Expenditures before other Financing Sources	(2,834,927)	(2,394,655)	321,901	2,716,556
Other Financing Sources				
Bondholder proceeds	2,357,289	2,217,289	1,981,707	(235,582)
Commercial financing	407,381	-	-	-
Operating transfers in	120,000	120,000	(1,136,192)	(1,256,192)
Transfer to Cemetery Fund	(49,742)	-	-	-
Total other Financing Sources	<u>2,834,928</u>	<u>2,337,289</u>	<u>845,515</u>	<u>(1,491,774)</u>
Excess of Revenue and other Financing Sources over Expenditures	<u>\$ -</u>	<u>\$ (57,366)</u>	<u>\$ 1,167,416</u>	<u>\$ 1,224,782</u>

OTHER FINANCIAL INFORMATION

THE TOWN OF CENTREVILLE, MARYLAND

**Supplemental Balance Sheet - General Fund
For the Year Ended June 30, 2009**

	<u>General Fund</u>	<u>Revolving Housing Fund</u>	<u>Perpetual Care Fund</u>	<u>Total General Fund</u>
ASSETS				
Cash and cash equivalents	\$ 1,506,145	\$ 26,971	\$ 55,109	\$ 1,588,225
Investments	-		89,702	89,702
Receivables:	-	-	-	-
Taxes (net)	47,905	-	-	47,905
Accounts (net)	273,481		6,836	280,317
Interest	-	-	-	-
Prepaid and other assets	22,339	-	-	22,339
Notes receivable	-	123,865	-	123,865
Due from other funds	3,426,756	49,960	34,319	3,511,035
	<u>3,426,756</u>	<u>49,960</u>	<u>34,319</u>	<u>3,511,035</u>
 Total Assets	 <u>\$ 5,276,626</u>	 <u>\$ 200,796</u>	 <u>\$ 185,966</u>	 <u>\$ 5,663,388</u>
 LIABILITIES				
Accounts payable	\$ 275,676	\$ -	\$ -	\$ 275,676
Accrued payroll	35,772	-	-	35,772
Escrow deferred payable	38,373	-	-	38,373
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Liabilities	 <u>349,821</u>	 <u>-</u>	 <u>-</u>	 <u>349,821</u>
 FUND BALANCES				
Fund Balances:				
Reserved for fund purposes	-	200,796	185,966	386,762
Unreserved	4,780,601	-	-	4,780,601
	<u>4,780,601</u>	<u>-</u>	<u>-</u>	<u>4,780,601</u>
 Total Fund Balances	 <u>4,926,805</u>	 <u>200,796</u>	 <u>185,966</u>	 <u>5,313,567</u>
 Total Liabilities and Fund Balances	 <u>\$ 5,276,626</u>	 <u>\$ 200,796</u>	 <u>\$ 185,966</u>	 <u>\$ 5,663,388</u>

THE TOWN OF CENTREVILLE, MARYLAND

**Supplemental Statement of Revenue, Expenditures, and Change in Fund Balances –
General Fund
For the Year Ended June 30, 2009**

	<u>General Fund</u>	<u>Revolving Housing Fund</u>	<u>Perpetual Care Fund</u>	<u>Total General Fund</u>
Revenue				
General property taxes	\$ 2,002,666	\$ -	\$ -	\$ 2,002,666
Other local taxes	250,148	-	-	250,148
Permits and licenses	130,988	-	-	130,988
Charges for services	377,876	-	-	377,876
Intergovernmental	573,182	-	-	573,182
Miscellaneous	33,163	100	8,550	41,813
	<u>3,368,023</u>	<u>100</u>	<u>8,550</u>	<u>3,376,673</u>
Total Revenue				
Expenditures				
Current:				
General government and				
Administration	553,247	19,915	-	573,162
Public safety	899,478	-	-	899,478
Public works	807,082	-	-	807,082
Parks and recreation	78,628	-	-	78,628
Public cemetery	88,989	-	-	88,989
Watershed preservation	114,995	-	-	114,995
Centreville wharf	2,120	-	-	2,120
Capital outlay	152,817	-	-	152,817
Debt Service:				
Principal	130,777	-	-	130,777
Interest	206,724	-	-	206,724
	<u>3,034,857</u>	<u>19,915</u>	<u>-</u>	<u>3,054,772</u>
Total Expenditures				
Excess (Deficiency) of Revenue over Expenditures	333,166	(19,815)	8,550	321,901
Other Financing Sources (Uses)				
Proceeds of bondholder borrowings	1,981,707	-	-	1,981,707
Operating transfers	(1,136,192)	-	-	(1,136,192)
	<u>845,515</u>	<u>-</u>	<u>-</u>	<u>845,515</u>
Total other financing sources				
Net change in fund balance	1,178,681	(19,815)	8,550	1,167,416
Fund balances, beginning of year	3,748,123	220,612	177,416	4,146,151
Fund Balances, End of Year	<u>\$ 4,926,804</u>	<u>\$ 200,797</u>	<u>\$ 185,966</u>	<u>\$ 5,313,567</u>

THE TOWN OF CENTREVILLE, MARYLAND

Supplemental Schedule of Revenue, Expenses and Change in Net Assets – Enterprise Fund For the Year Ended June 30, 2009

Revenue

Charges for services:

Sewer allocation fees	\$	513,055
Water allocation fees		298,912
Sewer		626,211
Water		427,013
Water penalty		15,480
Sewer vacant lots		39,852
Meter equipment		7,348
Connection charges		4,800
I&I study charge		17,985
Sale of crops		8,401
Other fines and forfeitures		7,148
Total Charges for Services		<u>1,966,205</u>

Miscellaneous revenue

Investment Earnings		<u>97,455</u>
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Total Revenue		2,063,660
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Expenditures

Public works

Sewer		1,033,222
Water		680,468
Farm		1,236
Total Public Works		<u>1,714,926</u>

Debt service

Interest		242,178
Administrative Fee		9,184
Total Debt Service		<u>251,362</u>
Total Expenditures		<u>1,966,286</u>

Excess of Revenue Over Expenditures Before Contributions		<u>97,371</u>
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Capital Contributions

		<u>990,384</u>
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Change in net assets	\$	<u>1,087,755</u>
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