

TOWN OF CENTREVILLE, MARYLAND
FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTAL
INFORMATION, AND OTHER FINANCIAL INFORMATION

Years Ended June 30, 2007 and 2006

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INDEPENDENT AUDITORS' REPORT

The Honorable Town Council

TOWN OF CENTREVILLE STATE OF 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, as of and for the years ended June 30, 2007 and 2006, which collectively comprise the Town's basic financial statements as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Town of Centreville's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, of the governmental activities, the business-type activities, and each major fund of the Town of Centreville, Maryland as of June 30, 2007 and 2006 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2008 on our consideration of the Town of Centreville, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audits.

TOWN OF CENTREVILLE

The management's discussion and analysis on pages 5-15 and budgetary comparison information on pages 46-48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Centreville, Maryland's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have 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.

Mayer Hoffman McCann P.C.

May 28, 2008
Easton, Maryland

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Town Council

**TOWN OF CENTREVILLE
STATE OF MARYLAND**

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Centreville, Maryland (the Town), as of and for the years ended June 30, 2007 and 2006, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 28, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

TOWN OF CENTREVILLE

Formal Policy Documentation

During the audit, a lack of formal policies and formal approvals of various items were noted. It is suggested that the Town Council and Town management establish policies on the following matters to ensure official approvals occur and are documented in the Town minutes. The implementation of the following monitoring controls will decrease the Town's susceptibility to fraudulent activities.

- Establish a policy to require the Town Manager to approve all journal entries and review all appropriate supporting documentation.

Material Adjusting Journal Entries

- The auditor identified material misstatements in the financial statements for the period under audit that were not initially identified by the entity's internal control (i.e., cash in trust and related bonds payable).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

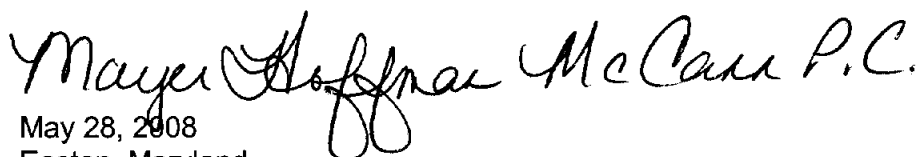
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiencies described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We also noted certain matters that we have reported to management of the Town in a separate letter dated May 28, 2008.

This report is intended solely for the information and use of the Town Council and management and is not intended to be and should not be used by anyone other than those specified parties.


Mayer Hoffman McCann P.C.
May 28, 2008
Easton, Maryland

This section of the Town of Centreville's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2007. Readers are encouraged to consider the information presented here in conjunction with the financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

- The Town's total net assets were \$32.4 million at June 30, 2007, as compared to \$25.7 million at June 30, 2006.
- During the year, the Town's expenses after grants and fees for services were \$1,622,149, and revenue generated from taxes and other sources for governmental programs was \$1,916,140. In addition, the Town received donated property from developers in the amount of \$1.506 million.
- The total cost of the Town's programs was \$2.675 million, and one new program was added this year – watershed preservation.
- In the Town's business-type activities, revenues were \$4.443 million more than the \$1,148,113 of expenses. The Town received donated property from developers in the amount of \$3.217 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts- *management's discussion and analysis* (this section), the *basic financial statements*, *required supplemental 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 funds* 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 supplemental 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, which are 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 content 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) is 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 and the condition of the Town's roads.

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 police, fire, public works, and parks departments 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 types 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 at the bottom of the governmental funds statements that explain the relationship (or differences) between them. In addition, the Town has an investment fund that is restricted by the Town Council and 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 A WHOLE

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's *combined* net assets were \$32.4 million at June 30, 2007 and \$25.7 million at June 30, 2006. Looking at the net assets and net expenses of governmental and business-type activities separately, however, two very different stories emerge. The following table reflects the condensed Government-Wide Statement of Net Assets:

Table A-1
Local Net Assets
(in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 10,736	\$ 7,052	\$ 11,415	\$ 6,886	\$ 22,151	\$ 13,938
Capital assets	<u>6,950</u>	<u>3,388</u>	<u>16,352</u>	<u>12,655</u>	<u>23,303</u>	<u>16,043</u>
TOTAL ASSETS	<u>\$ 17,686</u>	<u>\$ 10,440</u>	<u>\$ 27,767</u>	<u>\$ 19,541</u>	<u>\$ 45,453</u>	<u>\$ 29,981</u>
Long-term liabilities	\$ 4,817	\$ 34	\$ 6,843	\$ 2,383	\$ 11,660	\$ 2,417
Other liabilities	<u>539</u>	<u>162</u>	<u>897</u>	<u>1,686</u>	<u>1,436</u>	<u>1,848</u>
TOTAL LIABILITIES	<u>\$ 5,356</u>	<u>\$ 196</u>	<u>\$ 7,740</u>	<u>\$ 4,069</u>	<u>\$ 13,096</u>	<u>\$ 4,265</u>
Invested in capital assets, net of related debt	\$ 4,869	\$ 3,389	\$ 13,839	\$ 10,080	\$ 18,708	\$ 13,469
Restricted	4,044	4,051	-	-	4,044	4,051
Unrestricted	<u>3,417</u>	<u>2,804</u>	<u>6,188</u>	<u>5,392</u>	<u>9,605</u>	<u>8,196</u>
TOTAL NET ASSETS	<u>\$ 12,330</u>	<u>\$ 10,244</u>	<u>\$ 20,027</u>	<u>\$ 15,472</u>	<u>\$ 32,357</u>	<u>\$ 25,716</u>

Net assets for the governmental activities increased in the current year by \$2,086 thousand primarily due to donated property of \$1,506 thousand. Net assets for the business-type activities increased by \$4,555 thousand primarily due to donated property of \$3,217 thousand and a net operating excess of \$1,211 thousand.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE – Continued

Table A-2
Changes in Local Net Assets
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
PROGRAM REVENUES:						
Charges for services	\$ 649	\$ 624	\$ 2,374	\$ 4,203	\$ 3,023	\$ 4,827
State grants and Entitlements	404	381	-	1,783	404	2,164
County grants	-	111	-	-	-	111
Donated property	1,506	1,833	3,217	-	4,723	1,833
GENERAL REVENUES:						
Property taxes	1,611	1,264	-	-	1,611	1,264
Other taxes	300	225	-	-	300	225
Other	<u>290</u>	<u>99</u>	<u>112</u>	<u>23</u>	<u>402</u>	<u>122</u>
 TOTAL REVENUES BEFORE PROPERTY ADJUSTMENTS	 4,760	 4,537	 5,703	 6,009	 10,463	 10,546
 LOSS ON DISPOSAL OF PROPERTY	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>(360)</u>	 <u>-</u>	 <u>(360)</u>
 TOTAL REVENUES	 <u>\$ 4,760</u>	 <u>\$ 4,537</u>	 <u>\$ 5,703</u>	 <u>\$ 5,649</u>	 <u>\$ 10,463</u>	 <u>\$ 10,186</u>
 EXPENSES:						
General government	\$ 671	\$ 661	\$ -	\$ -	\$ 671	\$ 661
Public safety	831	631	-	-	831	631
Public works	900	660	-	-	900	660
Parks and recreation	93	69	-	-	93	69
Cemetery	94	59	-	-	94	59
Watershed preservation	86	-	-	-	86	-
Water	-	-	330	361	330	361
Sewer	-	-	806	1,207	806	1,207
Farm	<u>-</u>	<u>-</u>	<u>12</u>	<u>103</u>	<u>12</u>	<u>103</u>
 TOTAL EXPENSES	 <u>\$ 2,675</u>	 <u>\$ 2,080</u>	 <u>\$ 1,148</u>	 <u>\$ 1,671</u>	 <u>\$ 3,823</u>	 <u>\$ 3,751</u>
 INCREASE IN NET ASSETS	 \$ 2,085	 \$ 2,457	 \$ 4,555	 \$ 3,978	 \$ 6,640	 \$ 6,435
 NET ASSETS - BEGINNING	 <u>10,244</u>	 <u>7,787</u>	 <u>15,472</u>	 <u>11,494</u>	 <u>25,716</u>	 <u>19,281</u>
 NET ASSETS-ENDING	 <u>\$12,329</u>	 <u>\$10,244</u>	 <u>\$20,027</u>	 <u>\$15,472</u>	 <u>\$32,356</u>	 <u>\$25,716</u>

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE – Continued

Governmental Activities

Revenue from the Town's governmental activities was \$4,760 thousand, while total expenses were \$2,675 thousand. Table A-3 presents the cost of each of the Town's five largest services - general government, public safety, public works, parks and recreation, cemetery, and watershed preservation - 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 \$2,675 thousand. Some of that cost was financed by:
 - Those who directly benefited from the programs (\$649 thousand), or
 - Other governments and organizations that subsidized certain programs with grants and contributions (\$404 thousand).
- The Town financed the remaining \$1,622 thousand "public benefit" portion of governmental activities with \$1,912 thousand 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>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General government	\$ 671	\$ 661	\$ (50)	\$ (153)
Public safety	831	631	768	571
Public works	900	660	(823)	(1,381)
Parks and recreation	93	69	93	69
Cemetery	94	59	42	25
Watershed preservation	<u>86</u>	<u>-</u>	<u>86</u>	<u>-</u>
TOTAL	<u>\$ 2,675</u>	<u>\$ 2,080</u>	<u>\$ 116</u>	<u>\$ (869)</u>

Business-type Activities

Revenues of the Town's business-type activities were \$5,703 thousand and expenses were \$1,148 thousand. (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 2007.
- 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 depreciation of the plant.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed this year, its governmental funds reported total fund equity of \$12,329 thousand. Included in this year's net change in fund balances of \$2,085 thousand is property tax revenue of \$1,658 thousand.

**Town of Centreville
Revenues Classified by Source
General Fund
For the Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>Percent Of Total</u>	<u>2006</u>	<u>Percent Of Total</u>
REVENUES AND OTHER FINANCING SOURCES				
General property taxes	\$ 1,657,796	32.1%	\$ 1,264,233	45.8%
Other local taxes	253,977	4.9	224,905	8.2
Permits and licenses	176,092	3.4	246,160	8.9
Charges for services	419,987	8.1	343,136	12.5
Intergovernmental	403,820	7.8	491,888	17.8
Loan proceeds	2,000,000	38.7	-	-
Miscellaneous	164,475	2.9	74,939	2.7
Operating transfers	<u>110,000</u>	<u>2.1</u>	<u>112,067</u>	<u>4.1</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 5,186,147</u>	<u>100.0%</u>	<u>\$ 2,757,328</u>	<u>100.0%</u>

**Town of Centreville
Expenditures by Function
General Fund
For the Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>Percent Of Total</u>	<u>2006</u>	<u>Percent Of Total</u>
EXPENDITURES				
Current operations:				
General government administration	\$ 625,288	13.7%	\$ 626,233	27.3%
Public safety	780,810	17.2	598,578	26.1
Public works	699,659	15.4	565,100	24.6
Parks and recreation	81,756	1.8	54,445	2.4
Cemetery	92,445	2.0	55,439	2.4
Watershed preservation	85,988	1.9	-	-
Capital outlay	2,152,372	48.0	346,585	15.1
Debt service:				
Principal	-	0.0	46,226	2.0
Interest	<u>-</u>	<u>0.0</u>	<u>1,745</u>	<u>0.1</u>
TOTAL EXPENDITURES	<u>\$ 4,518,318</u>	<u>100.0%</u>	<u>\$ 2,294,351</u>	<u>100.0%</u>

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.

General Fund Budgetary Highlights - continued

Increases were made in 2007 for streets maintenance, watershed preservation, and cemetery improvements for a total of \$53 thousand. In addition, resources available for appropriations were \$53 thousand above the final budgeted amounts due to a grant and donation. Included in miscellaneous revenue and capital outlays were developer contributions in-kind of streets and infrastructure in the amount of \$1,506 thousand.

CAPITAL ASSETS 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 \$23,092 thousand and \$16,043 thousand, as of June 30, 2007 and June 30, 2006 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 project for Water Treatment
- Road, sewer, and water upgrades on Little Kidwell, Chesterfield Avenue
- Rebuilt the street sweeper
- Replacement of a town vehicle
- Replacement of a police vehicle

Table A-4
Town of Centreville's Capital Assets
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 2,180	\$ 139	\$ 1,161	\$ 1,161	\$ 3,341	\$ 1,300
Buildings	169	174	11,121	8,636	11,290	8,810
Land improvements	12	22	-	-	12	22
Infrastructure	3,995	2,651	3,578	2,387	7,573	5,038
Furniture, fixtures and equipment	417	402	34	41	451	443
Construction in progress	<u>97</u>	<u>-</u>	<u>328</u>	<u>430</u>	<u>425</u>	<u>430</u>
TOTAL	<u>\$ 6,870</u>	<u>\$ 3,388</u>	<u>\$16,222</u>	<u>\$12,655</u>	<u>\$23,092</u>	<u>\$16,043</u>

Long-term Debt

As of June 30, 2007, the Town had \$11,660 thousand in loans and bond commitments outstanding as shown in Table A-5. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements.

Table A-5
Town of Centreville's Outstanding Debt
(in thousands of dollars)

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Mortgage loans	\$ 2,000	\$ -	\$ -	\$ -	\$ 2,000	\$ -
Loans from USDA	-	-	1,025	1,036	1,025	1,036
Loans from MD DOE	-	-	1,358	1,538	1,358	1,538
CDA LGIF bond	<u>2,817</u>	<u>-</u>	<u>4,460</u>	<u>-</u>	<u>7,277</u>	<u>-</u>
TOTAL	<u>\$ 4,817</u>	<u>\$ -</u>	<u>\$ 6,843</u>	<u>\$ 2,573</u>	<u>\$ 11,660</u>	<u>\$ 2,574</u>

MAINTAINING THE CONDITION OF THE TOWN'S INFRASTRUCTURE

GASB Statement Number 34 allows the Town to report depreciation expense on infrastructure assets or to adopt the modified approach, which allows depreciation expense to be ignored if expenditures that are necessary to maintain infrastructure assets to an objectively determined level of service are made. Primarily due to the cost versus benefit concept and consistent with what appears to be an overwhelming "industry standard" being adopted by governmental entities subject to GASB Statement Number 34, the Town has adopted the reporting of depreciation expense.

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 final markup in anticipation of legislative approval. Both the current Plan (1998) and the draft Plan under consideration (2007) 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 Centreville, 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. Designs for a major reconstruction of Chesterfield Avenue, Draper Lane, and portions of Water Street and Homewood Avenue, have been completed in anticipation of bidding and construction during 2008. Phase one of this project involved completing the sidewalk connection along Chesterfield Avenue, and future phases will also include certain utility replacements. 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.

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 of Centreville.

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 to 10 ppm, effective January 2006. Municipalities with arsenic levels above the new standard, including Centreville, are required to treat their water supply to reduce the naturally occurring levels to the new compliance standard. The Town is addressing 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 is currently nearing completion on Comet Drive in the Centreville Business Park. When operational and integrated into the Town's Water System in early 2008, these two facilities will have sufficient capacity to meet treatment needs well into the future.

Water System: Storage

Centreville'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. The draft Water Distribution System report provided by the Town 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 to current Centreville users; even larger volumes will be needed as the Town grows. These needs warrant additional financial appropriations and will impact future capital expenditures.

Water System: Distribution

The draft Water Distribution System report also called for an 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 presently 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.

Wastewater System: Collection

Wastewater collection systems transport wastewater from sources through sanitary sewer pipes and pump stations to a treatment facility. While the Town has embarked on ambitious upgrades to the North and South Pump Stations, 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 of Centreville 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 provided 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 above the current limit of 500,000 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 know 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.

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 will have acquired two new properties by the end of 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, and 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.

TOWN OF CENTREVILLE, MARYLAND

STATEMENT OF NET ASSETS

June 30, 2007

<u>ASSETS</u>	PRIMARY GOVERNMENT		<u>TOTAL</u>
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,016,467	\$ 6,691,490	\$ 9,707,957
Cash in trust	2,736,818	4,330,024	7,066,842
Investments	3,818,170	106,970	3,925,140
Receivables:			
Taxes	76,242	6,771	83,013
Accounts (net)	432,178	815,345	1,247,523
Interest	50,112	17,773	67,885
Prepays and other assets	13,113	-	13,113
Notes receivable	40,000	-	40,000
Due from other funds	<u>553,293</u>	<u>(553,293)</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>10,736,393</u>	<u>11,415,080</u>	<u>22,151,473</u>
NONCURRENT ASSETS			
Unamortized bond issuance costs	80,282	130,351	210,633
Capital assets, net	6,772,067	15,893,935	22,666,002
Construction in progress	<u>97,133</u>	<u>327,775</u>	<u>424,908</u>
TOTAL NONCURRENT ASSETS	<u>6,949,482</u>	<u>16,352,061</u>	<u>23,301,543</u>
TOTAL ASSETS	<u>\$ 17,685,875</u>	<u>\$ 27,767,141</u>	<u>\$ 45,453,016</u>
 <u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 351,678	\$ 230,630	\$ 582,308
Accrued payroll	32,292	3,046	35,338
Escrowed deferred payable	77,996	663,552	741,548
Current portion of long-term debt	<u>125,442</u>	<u>317,398</u>	<u>442,840</u>
TOTAL CURRENT LIABILITIES	<u>587,408</u>	<u>1,214,626</u>	<u>1,802,034</u>
NONCURRENT LIABILITIES			
Long-term debt	4,691,658	6,525,622	11,217,280
Non-current compensated absences	<u>77,277</u>	<u>-</u>	<u>77,277</u>
TOTAL NONCURRENT LIABILITIES	<u>4,768,935</u>	<u>6,525,622</u>	<u>11,294,557</u>
TOTAL LIABILITIES	<u>5,356,343</u>	<u>7,740,248</u>	<u>13,096,591</u>
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	4,869,200	13,839,065	18,708,265
Restricted for fund purposes	4,043,736	-	4,043,736
Unrestricted	<u>3,416,596</u>	<u>6,187,828</u>	<u>9,604,424</u>
TOTAL NET ASSETS	<u>12,329,532</u>	<u>20,026,893</u>	<u>32,356,425</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,685,875</u>	<u>\$ 27,767,141</u>	<u>\$ 45,453,016</u>

The Notes to Financial Statements
are an Integral Part of this Statement

TOWN OF CENTREVILLE, MARYLAND

STATEMENT OF NET ASSETS

June 30, 2006

<u>ASSETS</u>	PRIMARY GOVERNMENT		<u>TOTAL</u>
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,255,568	\$ 4,433,529	\$ 6,689,097
Investments	3,740,641	120,387	3,861,028
Receivables:			
Taxes	77,813	6,621	84,434
Grants	-	1,716,877	1,716,877
Accounts, less allowance for losses (\$9,404)	222,056	1,261,413	1,483,469
Interest	63,543	-	63,543
Notes receivable	40,000	-	40,000
Due from other funds	652,442	(652,442)	-
TOTAL CURRENT ASSETS	7,052,063	6,886,385	13,938,448
NONCURRENT ASSETS			
Capital assets, net	3,388,790	12,224,914	15,613,704
Construction in progress	-	429,807	429,807
TOTAL NONCURRENT ASSETS	3,388,790	12,654,721	16,043,511
TOTAL ASSETS	\$ 10,440,853	\$ 19,541,106	\$ 29,981,959
 <u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 128,439	\$ 430,835	\$ 559,274
Accrued payroll	33,793	5,176	38,969
Escrowed deferred payable	-	1,058,462	1,058,462
Current portion of long-term debt	-	191,733	191,733
TOTAL CURRENT LIABILITIES	162,232	1,686,206	1,848,438
NONCURRENT LIABILITIES			
Long term debt	-	2,382,644	2,382,644
Non-current compensated absences	34,346	-	34,346
TOTAL NONCURRENT LIABILITIES	34,346	2,382,644	2,416,990
TOTAL LIABILITIES	196,578	4,068,850	4,265,428
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	3,388,790	10,080,344	13,469,134
Restricted for fund purposes	4,050,757	-	4,050,757
Unrestricted	2,804,728	5,391,912	8,196,640
TOTAL NET ASSETS	10,244,275	15,472,256	25,716,531
TOTAL LIABILITIES AND NET ASSETS	\$ 10,440,853	\$ 19,541,106	\$ 29,981,959

The Notes to Financial Statements
are an Integral Part of this Statement

TOWN OF CENTREVILLE MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

<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 administration	\$ 671,295	\$ 379,635	\$ 341,696	\$ -
Public safety	830,803	1,110	62,124	-
Public works	899,615	216,208	-	1,506,398
Parks and recreation	93,311	-	-	-
Cemetery	94,009	52,100	-	-
Watershed preservation	85,989	-	-	-
Total governmental activities	<u>2,675,022</u>	<u>649,053</u>	<u>403,820</u>	<u>1,506,398</u>
BUSINESS-TYPE ACTIVITIES:				
Sewer	806,322	1,369,266	-	1,571,200
Water	329,484	980,708	-	1,645,755
Farm	12,307	24,108	95	-
Total business-type activities	<u>1,148,113</u>	<u>2,374,082</u>	<u>95</u>	<u>3,216,955</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,823,135</u>	<u>\$ 3,023,135</u>	<u>\$ 403,915</u>	<u>\$ 4,723,353</u>

General Revenues:

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

Total general revenues

Change in net assets

NET ASSETS – BEGINNING

NET ASSETS – ENDING

NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS		
PRIMARY GOVERNMENT		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ 50,036	\$ -	\$ 50,036
(767,569)	-	(767,569)
822,990	-	822,990
(93,311)	-	(93,311)
(41,909)	-	(41,909)
<u>(85,989)</u>	<u>-</u>	<u>(85,989)</u>
<u>(115,752)</u>	<u>-</u>	<u>(115,752)</u>
-	2,134,144	2,134,144
-	2,296,979	2,296,979
-	11,896	11,896
<u>-</u>	<u>4,443,019</u>	<u>4,443,019</u>
<u>(115,751)</u>	<u>4,443,019</u>	<u>4,327,268</u>
1,611,632	-	1,611,632
46,121	-	46,121
254,021	-	254,021
32,508	-	32,508
11,233	17,773	29,006
226,978	93,845	320,823
<u>18,515</u>	<u>-</u>	<u>18,515</u>
<u>2,201,008</u>	<u>111,618</u>	<u>2,312,626</u>
2,085,257	4,554,637	6,639,894
<u>10,244,275</u>	<u>15,472,256</u>	<u>25,716,531</u>
<u>\$ 12,329,532</u>	<u>\$ 20,026,893</u>	<u>\$ 32,356,425</u>

The Notes to the Financial Statements
are an Integral Part of this Statement

TOWN OF CENTREVILLE MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

<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 CONTRIBUTION</u>
GOVERNMENTAL ACTIVITIES:				
General government administration	\$ 661,060	\$ 380,620	\$ 433,165	\$ -
Public safety	631,019	1,534	58,723	-
Public works	660,169	208,150	-	1,832,804
Parks and recreation	69,348	-	-	-
Cemetery	58,422	33,908	-	-
Total governmental activities	<u>2,080,018</u>	<u>624,212</u>	<u>491,888</u>	<u>1,832,804</u>
BUSINESS-TYPE ACTIVITIES:				
Sewer	1,207,287	2,429,031	-	1,716,877
Water	361,388	1,711,873	-	-
Farm	103,289	62,675	66,263	-
Total business-type activities	<u>1,671,964</u>	<u>4,203,579</u>	<u>66,263</u>	<u>1,716,877</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,751,982</u>	<u>\$ 4,827,791</u>	<u>\$ 558,151</u>	<u>\$ 3,549,681</u>

General Revenues:

- Real property taxes
- Public utility tax
- Local income taxes
- Losses on disposal of assets
- Net unrealized loss on investments
- Investment earnings
- Miscellaneous

Total general revenues

Change in net assets

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

PRIMARY GOVERNMENT		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ 152,725	\$ -	\$ 152,725
(570,762)	-	(570,762)
1,380,785	-	1,380,785
(69,348)	-	(69,348)
(24,514)	-	(24,514)
<u>868,886</u>	<u>-</u>	<u>868,886</u>
-	2,938,621	2,938,621
-	1,350,485	1,350,485
-	25,649	25,649
<u>-</u>	<u>4,314,755</u>	<u>4,314,755</u>
<u>868,886</u>	<u>4,314,755</u>	<u>5,183,641</u>
1,219,546	-	1,219,546
44,686	-	44,686
224,905	-	224,905
(104,216)	-	(104,216)
-	(360,009)	(360,009)
197,069	23,435	220,504
6,293	506	6,799
<u>1,588,283</u>	<u>(336,068)</u>	<u>1,252,215</u>
2,457,169	3,978,687	6,435,856
<u>7,787,106</u>	<u>11,493,569</u>	<u>19,280,675</u>
<u>\$ 10,244,275</u>	<u>\$ 15,472,256</u>	<u>\$ 25,716,531</u>

The Notes to the Financial Statements
are an Integral Part of this Statement

TOWN OF CENTREVILLE, MARYLAND
BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2007

	GENERAL FUND	CAPITAL PROJECT FUND	INVESTMENT FUND	TOTALS MEMORANDUM ONLY
 <u>ASSETS</u>				
Cash and cash equivalents	\$ 2,907,110	\$ -	\$ 109,357	\$ 3,016,467
Cash in trust	-	2,736,818	-	2,736,818
Investments	89,702	-	3,728,468	3,818,170
Receivables:				
Taxes, net	76,242	-	-	76,242
Accounts, net	432,178	-	-	432,178
Interest	-	11,233	38,879	50,112
Prepays and other assets	13,112	-	-	13,112
Notes receivable	40,000	-	-	40,000
Due from other funds	778,149	-	-	778,149
 TOTAL ASSETS	 \$ 4,336,493	 \$ 2,748,051	 \$ 3,876,704	 \$ 10,961,248
 <u>LIABILITIES</u>				
Accounts payable	\$ 342,005	\$ -	\$ -	\$ 342,005
Accrued payroll	32,292	-	-	32,292
Escrow deferred payable	77,996	-	-	77,996
Due to other funds	-	78,111	146,744	224,855
 TOTAL LIABILITIES	 452,293	 78,111	 146,744	 677,148
 <u>FUNDEQUITY</u>				
Fund balances:				
Reserved for fund purposes	390,328	2,669,940	3,729,960	6,790,228
Unreserved	3,493,872	-	-	3,493,872
 TOTAL FUND EQUITY	 3,884,200	 2,669,940	 3,729,960	 10,284,100
 TOTAL LIABILITIES AND FUND EQUITY	 \$ 4,336,493	 \$ 2,748,051	 \$ 3,876,704	 \$ 10,961,248

The Notes to the Financial Statements
are an Integral Part of this Statement

TOWN OF CENTREVILLE, MARYLAND
BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2006

	<u>GENERAL FUND</u>	<u>INVESTMENT FUND</u>	<u>TOTALS MEMORANDUM ONLY</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,156,008	\$ 99,560	\$ 2,255,568
Investments	89,702	3,650,939	3,740,641
Receivables:			
Taxes	77,813	-	77,813
Accounts, less allowance for losses (\$9,404)	222,056	-	222,056
Interest	-	63,543	63,543
Notes receivable	40,000	-	40,000
Due from other funds	<u>793,023</u>	<u>-</u>	<u>793,023</u>
 TOTAL ASSETS	 <u>\$ 3,378,602</u>	 <u>\$ 3,814,042</u>	 <u>\$ 7,192,644</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 128,439	\$ -	\$ 128,439
Accrued payroll	33,793	-	33,793
Due to other funds	<u>-</u>	<u>140,581</u>	<u>140,581</u>
 TOTAL LIABILITIES	 <u>162,232</u>	 <u>140,581</u>	 <u>302,813</u>
<u>FUND EQUITY</u>			
Fund balances:			
Reserved for fund purposes	377,296	3,673,461	4,050,757
Unreserved	<u>2,839,074</u>	<u>-</u>	<u>2,839,074</u>
 TOTAL FUND EQUITY	 <u>3,216,370</u>	 <u>3,673,461</u>	 <u>6,889,831</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 3,378,602</u>	 <u>\$ 3,814,042</u>	 <u>\$ 7,192,644</u>

The Notes to Financial Statements
are an Integral Part of this Statement

TOWN OF CENTREVILLE, MARYLAND
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2007

TOTAL GOVERNMENTAL FUND BALANCES	\$ 10,284,100
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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:

Cost of assets	9,759,257
Less: Accumulated depreciation	(2,890,057)

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 consist of:

Interest payable on bond, reported in accounts payable	9,673
Bond payable, net of issuance costs of \$80,282	2,736,818
Mortgage payable	2,000,000
Compensated absences	<u>77,277</u>

Total long-term liabilities	<u>(4,823,768)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 12,329,532</u>
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TOWN OF CENTREVILLE, MARYLAND
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2006

TOTAL GOVERNMENTAL FUND BALANCES \$ 6,889,831

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:

Cost of assets	6,024,030
Less: accumulated depreciation	(2,635,240)

Non-current liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Non-current liabilities at year end consists of non-current compensated absences.

(34,346)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 10,244,275

The Notes to Financial Statements
are an Integral Part of this Statement

TOWN OF CENTREVILLE, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended June 30, 2007

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECT FUND</u>	<u>INVESTMENT FUND</u>	<u>TOTALS MEMORANDUM ONLY</u>
REVENUES				
General property taxes	\$ 1,657,796	\$ -	\$ -	\$ 1,657,796
Other local taxes	253,977	-	-	253,977
Permits and licenses	176,092	-	-	176,092
Charges for services	419,987	-	-	419,987
Intergovernmental	403,820	-	-	403,820
Miscellaneous				
Other miscellaneous revenue	75,607	-	-	75,607
Investment earnings	88,868	11,233	140,214	240,315
Gains, losses and changes in fair market value	-	-	32,508	32,508
Fees and charges	-	-	(6,224)	(6,224)
TOTAL REVENUES	<u>3,076,147</u>	<u>11,233</u>	<u>166,498</u>	<u>3,253,878</u>
EXPENDITURES				
Current:				
General government administration	625,288	-	-	625,288
Public safety	780,810	-	-	780,810
Public works	699,659	-	-	699,659
Parks and recreation	81,756	-	-	81,756
Cemetery	92,445	-	-	92,445
Watershed preservations	85,988	-	-	85,988
Capital outlay	2,152,372	78,111	-	2,230,483
TOTAL EXPENDITURES	<u>4,518,318</u>	<u>78,111</u>	<u>-</u>	<u>4,596,429</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)				
	<u>(1,442,171)</u>	<u>(66,878)</u>	<u>166,498</u>	<u>(1,342,551)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	2,000,000	2,817,000	-	4,817,000
Long-term debt issuance costs	-	(80,282)	-	(80,282)
Operating transfers	110,000	-	(110,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,110,000</u>	<u>2,736,818</u>	<u>(110,000)</u>	<u>4,736,818</u>
EXCESS OF REVENUES AND				
OTHER FINANCING SOURCES				
OVER EXPENDITURES AND				
OTHER FINANCING USES				
	667,829	2,669,940	56,498	3,394,267
FUND BALANCES, BEGINNING OF YEAR	<u>3,216,371</u>	<u>-</u>	<u>3,673,462</u>	<u>6,889,833</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,884,200</u>	<u>\$ 2,669,940</u>	<u>\$ 3,729,960</u>	<u>\$ 10,284,100</u>

The Notes to Financial Statements
are an Integral Part of this Statement

TOWN OF CENTREVILLE, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended June 30, 2006

	<u>GENERAL FUND</u>	<u>INVESTMENT FUND</u>	<u>TOTALS MEMORANDUM ONLY</u>
REVENUES			
General property taxes	\$ 1,264,233	\$ -	\$ 1,264,233
Other local taxes	224,905	-	224,905
Permits and licenses	246,160	-	246,160
Charges for services	343,135	-	343,135
Intergovernmental	491,888	-	491,888
Miscellaneous			
Other miscellaneous revenue	50,190	-	50,190
Investment earnings	24,749	165,016	189,765
Net unrealized loss on investments	-	(104,216)	(104,216)
TOTAL REVENUES	<u>2,645,260</u>	<u>60,800</u>	<u>2,706,060</u>
EXPENDITURES			
Current:			
General government administration	626,233	-	626,233
Public safety	598,578	-	598,578
Public works	565,100	-	565,100
Parks and recreation	54,445	-	54,445
Cemetery	55,439	-	55,439
Capital outlay	346,585	-	346,585
Debt service:			
Principal	46,226	-	46,226
Interest	1,745	-	1,745
TOTAL EXPENDITURES	<u>2,294,351</u>	<u>-</u>	<u>2,294,351</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	350,909	60,800	411,709
OTHER FINANCING SOURCES (USES)			
Operating transfers	<u>112,067</u>	<u>(112,067)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	462,976	(51,267)	411,709
FUND BALANCES, BEGINNING OF YEAR	<u>2,753,394</u>	<u>3,724,728</u>	<u>6,478,122</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,216,370</u>	<u>\$ 3,673,461</u>	<u>\$ 6,889,831</u>

The Notes to Financial Statements
are an Integral Part of this Statement

TOWN OF CENTREVILLE, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 3,394,267

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 (\$2,228,831) is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation (\$254,817) in the current period. 1,974,014

Donated assets recorded in government-wide statements but not governmental funds 1,506,398

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. (4,736,818)

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 (9,675)
Accrued compensated absences (42,929)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,085,257

TOWN OF CENTREVILLE, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 411,709

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 (\$2,173,019) is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation (\$154,957) in the current period. 2,018,062

Governmental activities report capital asset disposal losses as expenditures (1,678)

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. 29,076

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,457,169