

**TOWN OF CENTREVILLE, MARYLAND**

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

**For the Year Ended June 30, 2012**



**SB & COMPANY, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

**JUNE 30, 2012**

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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, 2012, 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 an opinion 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 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, as of June 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.



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Our audit was conducted for the purpose of forming opinions 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 Changes in Fund Balances – General Fund and the Supplemental Statement of Revenue, Expenses and Change 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*SB & Company, LLC*

Hunt Valley, Maryland  
January 17, 2013

## TOWN OF CENTREVILLE

### Management's Discussion and Analysis June 30, 2012

This section of the annual financial statements of the Town of Centreville, Maryland (the Town) presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

#### **Financial Highlights**

- The assets of the Town exceeded its liabilities at the close of fiscal year June 30, 2012 by approximately \$37 million (*net assets*). Approximately 57.1% of this amount is attributable to the business-type activities. Of the total net assets approximately \$6.2 million (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors (82.7% is attributable to the business-type activities). Of the remaining total net assets, approximately \$7.1 million is restricted for specific purposes (*restricted net assets*), and approximately \$23.4 million is invested in capital assets, net of related debt.
- Governmental activities saw an increase of approximately \$120 thousand. The business-type activities decreased approximately \$437 thousand; this was largely due to a continued reduction in the collection of water and sewer allocation fees and the slow growth in the housing market. The Town's overall financial position has decreased with total net assets decreasing by approximately \$317 thousand during the fiscal year.
- As of June 30, 2012, the Town's governmental funds reported combined ending fund balances of approximately \$8.8 million.
- As of the close of the current fiscal year, the unassigned fund balance for the general fund was approximately \$4.4 million or 165% of total general fund expenditures.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### ***Government-wide financial statements***

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

## TOWN OF CENTREVILLE

### Management's Discussion and Analysis June 30, 2012

#### Overview of the Financial Statements (continued)

##### *Government-wide financial statements (continued)*

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, sanitation, parks and recreation, cemetery and stormwater and watershed management. The business-type activities of the Town include water and sewer operations.

The government-wide financial statements can be found on pages 20 and 21 of this report.

#### **Fund financial statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

#### **Governmental funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

## TOWN OF CENTREVILLE

### Management's Discussion and Analysis June 30, 2012

#### Overview of the Financial Statements (continued)

#### *Government-wide financial statements* (continued)

#### **Governmental funds** (continued)

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22-25 of this report.

#### **Proprietary funds**

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, of which is considered to be a major fund of the Town.

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

#### **Notes to financial statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements are part of the basic financial statements and can be found on pages 29-49 of this report.

#### **Other supplementary information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This information can be found on pages 51-52.

# TOWN OF CENTREVILLE

## Management's Discussion and Analysis June 30, 2012

### Overview of the Financial Statements (continued)

#### *Government-wide Financial Analysis*

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by approximately \$37 million as of June 30, 2012. The Town of Centreville's net assets are divided into three categories: invested in capital assets (net of related debt), restricted net assets, and unrestricted net assets. The largest portion of the Town's net assets (63.7%) reflects its investment in capital assets, net of depreciation (e.g., buildings, land, improvements, equipment, vehicles, infrastructure, and sewer and water utility systems), less any unmatured debt used to acquire those assets and accumulated depreciation. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Town's net assets (19.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (17%) may be used to meet the government's ongoing obligations to citizens and creditors.

**Table A-1**  
**CONDENSED STATEMENTS OF NET ASSETS**  
**As of June 30, 2012 and 2011**  
**(in thousands of dollars)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>						
Current and other assets	\$ 9,074	\$ 8,929	\$ 8,242	\$ 9,089	\$ 17,316	\$ 18,018
Capital assets, net	<b>11,704</b>	11,279	<b>21,933</b>	22,369	<b>33,637</b>	33,648
<b>Total Assets</b>	<b>20,778</b>	20,208	<b>30,175</b>	31,458	<b>50,953</b>	51,666
<b>Liabilities</b>						
Other liabilities	<b>1,040</b>	629	<b>3,076</b>	3,464	<b>4,116</b>	4,093
Long-term liabilities	<b>4,014</b>	3,976	<b>6,189</b>	6,647	<b>10,203</b>	10,623
<b>Total Liabilities</b>	<b>5,054</b>	4,605	<b>9,265</b>	10,111	<b>14,319</b>	14,716
<b>Net Assets</b>						
Invested in capital assets, net of related debt	<b>7,579</b>	7,201	<b>15,774</b>	15,865	<b>23,353</b>	23,066
Restricted	<b>7,081</b>	4,576	-	-	<b>7,081</b>	4,576
Unrestricted	<b>1,064</b>	3,827	<b>5,136</b>	5,481	<b>6,200</b>	9,308
<b>Total Net Assets</b>	<b>\$ 15,724</b>	\$15,604	<b>\$ 20,910</b>	\$ 21,346	<b>\$ 36,634</b>	\$ 36,950

**TOWN OF CENTREVILLE**

**Management's Discussion and Analysis  
June 30, 2012**

***Overview of the Financial Statements*** (continued)

***Government-wide Financial Analysis*** (continued)

**Table A-2  
CONDENSED STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2012 and 2011  
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 483	\$ 442	\$ 1,352	\$ 1,453	\$ 1,835	\$ 1,895
Operating grants/ contributions	702	936	16	200	718	1,136
Capital grants/ contributions	-	406	-	-	-	406
General revenue:						
Property taxes	1,947	1,914	-	-	1,947	1,914
Other income taxes	322	301	-	-	322	301
Other	261	113	43	62	304	175
<b>Total Revenue</b>	<b>3,715</b>	<b>4,112</b>	<b>1,411</b>	<b>1,715</b>	<b>5,126</b>	<b>5,827</b>
<b>Program Expenses</b>						
General government	498	557	-	-	498	557
Public safety	1,007	978	-	-	1,007	978
Public works	1,410	1,379	-	-	1,410	1,379
Parks, recreation and culture	99	88	-	-	99	88
Cemetery	105	102	-	-	105	102
Stormwater/Watershed	217	184	-	-	217	184
Centreville wharf	69	58	-	-	69	58
Interest on long-term debt	190	196	-	-	190	196
Enterprise expense						
Water services	-	-	799	799	799	799
Sewer services	-	-	1,046	1,133	1,046	1,133
Farm services	-	-	2	-	2	-
<b>Total Program Expenses</b>	<b>3,595</b>	<b>3,542</b>	<b>1,847</b>	<b>1,932</b>	<b>5,442</b>	<b>5,474</b>
Change in net assets	120	570	(436)	(217)	(316)	353
Net assets, beginning of year	15,604	15,034	21,346	21,563	36,950	36,597
<b>Net Assets, End of Year</b>	<b>\$ 15,724</b>	<b>\$15,604</b>	<b>\$ 20,910</b>	<b>\$ 21,346</b>	<b>\$ 36,634</b>	<b>\$ 36,950</b>

# TOWN OF CENTREVILLE

## Management's Discussion and Analysis June 30, 2012

### Overview of the Financial Statements (continued)

#### *Government-wide Financial Analysis* (continued)

For the fiscal year ended June 30, 2012, the Town reported positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

#### **Governmental Activities**

Revenue from the Town's governmental activities was approximately \$3.7 million, while total expenses were approximately \$3.6 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, stormwater/watershed management 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, excluding interest, was approximately \$3.4 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 (\$0.7 million).
- The Town financed the remaining \$2.2 million "public benefit" portion of governmental activities with taxes.

**TABLE A-3**  
**NET COST OF CENTREVILLE'S GOVERNMENT ACTIVITIES**  
**For the Years Ended June 30, 2012 and 2011**  
**(in thousands of dollars)**

	<u>Total Cost of Services</u>		<u>Net Cost (Surplus) of Services</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General government	\$ 498	\$ 557	\$ 92	\$ 104
Public safety	1,007	978	957	927
Public works	1,410	1,379	1,072	707
Parks and recreation	99	88	100	70
Cemetery	105	102	74	70
Stormwater/Watershed	217	184	(114)	(49)
Centreville wharf	69	58	39	(267)
<b>Total</b>	<b>\$ 3,405</b>	<b>\$ 3,346</b>	<b>\$ 2,220</b>	<b>\$ 1,562</b>

**TOWN OF CENTREVILLE**

**Management’s Discussion and Analysis  
June 30, 2012**

***Overview of the Financial Statements*** (continued)

***Government-wide Financial Analysis*** (continued)

**Business-type Activities**

Revenue from the Town’s business-type activities was approximately \$1.4 million and expenses were \$1.8 million (Refer to Table A-2.) Factors contributing to these results included:

- Allocation fee revenue decreased significantly due to the decline in residential and commercial real estate development.
- The cost of sewer, water and farm activities were within the budgets established for 2012.
- Surplus funds from prior years will be consumed for principal repayment and interest expenses on the debt incurred to finance the plant as well as infrastructure depreciation.

**Table A-4  
REVENUE CLASSIFIED BY SOURCE  
GENERAL FUND  
For the Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>Percent of Total</u>	<u>2011</u>	<u>Percent of Total</u>
<b>Revenue and Other Financing Sources</b>				
General property taxes	\$ 1,982,272	48.2 %	\$ 1,949,591	48.2 %
Local income taxes	286,699	7.0	265,475	6.6
Permits and licenses	119,930	2.9	128,818	3.2
Charges for services	362,265	8.7	321,209	7.9
Intergovernmental	612,609	14.9	785,370	19.4
Loan proceeds	1,496,414	36.4	411,527	10.2
Miscellaneous	53,117	1.3	85,917	2.1
Operating transfers	(799,326)	-19.4	96,331	2.4
<b>Total Revenue and Other Financing Sources</b>	<u>\$ 4,113,980</u>	<u>100.0 %</u>	<u>\$ 4,044,238</u>	<u>100.0 %</u>

**TOWN OF CENTREVILLE**

**Management’s Discussion and Analysis  
June 30, 2012**

**Overview of the Financial Statements** (continued)

***Government-wide Financial Analysis*** (continued)

**Table A-5  
EXPENDITURE BY FUNCTION  
GENERAL FUND  
For the Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>Percent of Total</u>	<u>2011</u>	<u>Percent of Total</u>
<b>Expenditures</b>				
Current operations:				
General government administration	\$ 489,134	10.7 %	\$ 548,057	14.2 %
Public safety	966,668	20.9	937,126	24.4
Public works	879,351	19.0	821,375	21.5
Parks and recreation	79,885	1.7	74,678	2.0
Cemetery	105,017	2.3	101,918	2.7
Stormwater/Watershed	198,320	4.3	166,508	4.4
Centreville wharf	6,511	0.1	21,091	0.6
Capital outlay	1,554,455	33.7	815,951	21.3
Debt service:				
Principal	148,209	3.2	144,119	3.8
Interest	189,882	4.1	195,572	5.1
<b>Total Expenditures</b>	<u>\$ 4,617,432</u>	<u>100.0 %</u>	<u>\$ 3,826,395</u>	<u>100.0 %</u>

**General Fund Budgetary Highlights**

Over the course of the year, the Town Council made no revisions to the Town budget.

**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 approximately \$33.4 million and \$33.5 million, as of June 30, 2012 and June 30, 2011, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, furniture, fixtures, vehicles, infrastructure, and utility facilities.

**TOWN OF CENTREVILLE**

**Management’s Discussion and Analysis  
June 30, 2012**

**Capital Assets and Debt Administration** (continued)

**Capital assets** (continued)

This year’s major capital additions included:

- A building located at Water Way and Watson Road.
- A vehicle for the public works department.
- Purchase of police vehicles.
- An HVAC unit for the police department.
- Purchase of a portable police radio.
- Electrical and tank upgrades to the WWTP and Force Main, including installation of dissolved oxygen sensors.
- Installation of a solar panel array at the WWTP.

The following table of the Town’s capital assets is listed below. Additional information can be found in Note 6 on pages 39 and 40 of this report.

**Table A-6  
CAPITAL ASSETS  
As of June 30, 2012 and 2011  
(in thousands of dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Land	\$ 2,918	\$ 2,713	\$ 1,161	\$ 1,161	\$ 4,079	\$ 3,874
Buildings and improvements	7,954	7,864	20,192	20,679	28,146	28,543
Equipment	443	397	155	148	598	545
Construction in progress	280	251	339	287	619	538
<b>Total</b>	<b>\$ 11,595</b>	<b>\$ 11,225</b>	<b>\$ 21,847</b>	<b>\$ 22,275</b>	<b>\$ 33,442</b>	<b>\$ 33,500</b>

# TOWN OF CENTREVILLE

## Management's Discussion and Analysis June 30, 2012

### Capital Assets and Debt Administration (continued)

#### Debt administration

As of June 30, 2012, the Town had approximately \$11.4 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**  
**OUTSTANDING DEBT**  
**As of June 30, 2012 and 2011**  
**(in thousands of dollars)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Mortgage loans	\$ 1,833	\$ 1,870	\$ -	\$ -	\$ 1,833	\$ 1,870
Note payable	651	-	-	-	651	-
Loans from USDA	-	-	958	972	958	972
Loans from MD DOE	-	-	2,367	2,775	2,367	2,775
Bonds payable	4,852	2,408	3,799	3,941	8,651	6,349
Subtotal	7,336	4,278	7,124	7,688	14,460	11,966
Less undrawn proceeds	2,668	253	362	477	3,030	730
<b>Total</b>	<b>\$ 4,668</b>	<b>\$ 4,025</b>	<b>\$ 6,762</b>	<b>\$ 7,211</b>	<b>\$ 11,430</b>	<b>\$ 11,236</b>

### 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, as well as the environmental impacts of such prospective future growth. The Centreville Community Plan (Plan) was updated in 2009 as part of the planning process and amended in 2010 to include the required Water Resources and Municipal Growth Elements. 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 is to predict the pacing of such prospective growth, which is influenced by market forces, government regulation, and specific legislative action.

## TOWN OF CENTREVILLE

### Management's Discussion and Analysis June 30, 2012

#### Subsequent Items for Future Financial Statements (continued)

##### **Growth** (continued)

During 2009 and 2010, consistent with the Plan, the Town annexed two parcels totaling nearly 200 acres along Route 304 east of Town. These parcels include farmland, a historic house, the Queen Anne's County High School, and Centreville Middle School. The Queen Anne's County owned farmland was initially proposed to house a future County office complex and a recreational facility. However, it is unclear if or when the current County government will develop this parcel.

New development there or elsewhere will likely require infrastructure investments by the developers for roads or utilities that may be dedicated to the Town. Since 2000, the Town has been among the fastest growing in the State of Maryland, and this pace may continue.

##### **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 stormwater 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. Planning and engineering design have been completed for a similar reconstruction project for the rest of Route 304 in Town (Railroad Avenue and Water Street east of Liberty Street). This project should be put out to bid and construction commenced in 2013. Bond financing for this project was obtained in 2012. Road maintenance and integration of major road projects with utility upgrades must continue to be part of the Town's long-term capital planning but is likely contingent upon financing proposals. Debt service for these upgrades will continue for the next 20 years.

## TOWN OF CENTREVILLE

### Management's Discussion and Analysis June 30, 2012

#### 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. The 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 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 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 Well 6 Water Treatment Facility (WTF) on Wexford Drive was completed in 2007, and a second and similar WTF at Well 5 in Centreville Business Park was completed in 2008. These two facilities have sufficient capacity to meet treatment needs well into the future. Debt service for the Well 5 WTF will continue for the next 25 years.

## TOWN OF CENTREVILLE

### Management's Discussion and Analysis June 30, 2012

#### Subsequent Items for Future Financial Statements (continued)

##### **Water System: Storage**

The Town owns three elevated water storage tanks. The 200,000 gallon Powell Street tank is over 35 years old. 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 two structures as part of the ongoing process to maintain utility infrastructure and an assessment has been completed to prioritize the needs. The Comet Drive tank has a 300,000 gallon capacity. It was repainted in 2009, and is in very good condition. 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 desirable 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. During 2010, the Town contracted with the County to obtain a one acre site at the eastern edge of Town for construction of this additional storage capacity. These needs warrant the Town's additional financial appropriations and will impact future capital expenditures.

##### **Water System: Distribution**

In addition to distribution system upgrades integrated with the roads projects as described previously, engineering and design for lateral replacements on Liberty Street and the balance of Route 304 in Town (Railroad Avenue and Water Street east of Liberty Street), were completed in 2010. They should be put out to bid and construction commenced in 2013. 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 in anticipation of growth to the east of Town, and additional piping and meter replacements should also be considered for older parts of the system. These needs warrant additional appropriations for construction and debt service and will impact future capital expenditures. Debt service for these upgrades will continue for the next 15 years.

##### **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 through Public Works Agreements.

## TOWN OF CENTREVILLE

### Management's Discussion and Analysis June 30, 2012

#### 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 sources (infiltration). These flows directly impact the Town's capacity to treat and dispose of wastewater by adding unnecessary volume. Eliminating these undesirable flows from the wastewater system provides additional net capacity for the Town's current and future customers.

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 while providing a cost effective means by which to add wastewater capacity. These upgrades have been initiated in the order of priority established in the study. During 2010, sewer mains and laterals were televised and lined – and cleanouts installed – on Railroad Avenue and Liberty Street. Manholes were also upgraded on these roadways as well as on Commerce Street. Those upgrades already completed have had quantifiable success in reducing inflow and infiltration by nearly 100,000 gallons per day (gpd), thereby increasing the system's net capacity. These needs warrant additional appropriations for construction and debt service and will impact future capital expenditures. Debt service for these upgrades will continue for another 17 years.

##### **Wastewater System: Treatment**

The Town's engineers believe the wastewater treatment facility (WWTF) is able to treat up to 750,000 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 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. During 2011, the Town upgraded the WWTF electrical systems and tanks to install dissolved oxygen sensors, which are intended to enhance biological processes and reduce operational costs.

## TOWN OF CENTREVILLE

### Management's Discussion and Analysis June 30, 2012

#### Subsequent Items for Future Financial Statements (continued)

##### **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. During 2011, the Town completed a study outlining next steps to increase effluent discharge capacity.

##### **Stormwater Management**

In recent years, the Town has completed several major stormwater management projects, constructing conveyances such as bioswales and replacing stormwater piping, as well as installing stormwater treatment facilities to improve stormwater quality. These facilities include biofilters, rain gardens, coastal plains outfalls, and a wooded wetland. While these installations have been largely grant-funded, long-term capital planning will need to include the cost of maintaining and replacing these facilities. In 2012, State legislation mandated regulation to make this a utility function, and to require enhancements to such systems or new infrastructure to reduce pollutant loads and prevent flooding. Consideration should be given to the equity of implementing such an enterprise to generate funding for these systems based on the amount of stormwater generated rather than on property value.

##### **Municipal Facilities**

The Town's employees are scattered among five municipal buildings. Further growth will require hiring additional employees who will need a suitable workplace. The Town acquired two vacant parcels in 2007, and the Council has discussed construction of a new municipal building, shared space with other government entities, and expansion or acquisition of an existing building to accommodate new staff. In 2012, the Town purchased the Centreville Wharf building to implement the Plan's vision of the Wharf as an economic development engine and recreational area. The cost of maintenance of this facility and the income from rental tenants will vary with market conditions. The Wharf building was purchased outright through reserves, but debt service for the Town's previous acquisition of the adjacent Wharf parcel will continue for the next 25 years.

## **TOWN OF CENTREVILLE**

### **Management's Discussion and Analysis June 30, 2012**

#### **Contacting the Town's Financial Management**

This financial report is designed to provide the Town's 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 or visit our website: [www.TownofCentreville.org](http://www.TownofCentreville.org).

## **FINANCIAL STATEMENTS**

**TOWN OF CENTREVILLE, MARYLAND**

**Statement of Net Assets  
As of June 30, 2012**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 4,211,728	\$ 5,552,828	\$ 9,764,556
Investments	4,110,039	114,154	4,224,193
Receivables:			
Taxes, net	64,663	-	64,663
Accounts, net	366,538	2,727,088	3,093,626
Grant	-	15,580	15,580
Interest	24,663	124	24,787
Prepaid and other assets	22,438	-	22,438
Notes receivable	105,958	-	105,958
Internal balances	168,285	(168,285)	-
<b>Total Current Assets</b>	<b>9,074,312</b>	<b>8,241,489</b>	<b>17,315,801</b>
<b>Non-Current Assets</b>			
Unamortized bond issuance costs	108,389	85,987	194,376
Capital assets, net	11,315,886	21,507,815	32,823,701
Construction in progress	279,764	339,220	618,984
<b>Total Non-Current Assets</b>	<b>11,704,039</b>	<b>21,933,022</b>	<b>33,637,061</b>
<b>TOTAL ASSETS</b>	<b>20,778,351</b>	<b>30,174,511</b>	<b>50,952,862</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	172,786	167,911	340,697
Accrued payroll	63,894	17,930	81,824
Deferred revenue	-	2,316,540	2,316,540
Long term debt, current portion	803,274	573,874	1,377,148
<b>Total Current Liabilities</b>	<b>1,039,954</b>	<b>3,076,255</b>	<b>4,116,209</b>
<b>Non-Current Liabilities</b>			
Long term debt, net of current portion	3,864,049	6,188,647	10,052,696
Compensated absences, net of current portion	150,303	-	150,303
<b>Total Non-Current Liabilities</b>	<b>4,014,352</b>	<b>6,188,647</b>	<b>10,202,999</b>
<b>TOTAL LIABILITIES</b>	<b>5,054,306</b>	<b>9,264,902</b>	<b>14,319,208</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,578,827	15,774,337	23,353,164
Restricted	7,080,929	-	7,080,929
Unrestricted	1,064,289	5,135,272	6,199,561
<b>TOTAL NET ASSETS</b>	<b>\$ 15,724,045</b>	<b>\$ 20,909,609</b>	<b>\$ 36,633,654</b>

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

**TOWN OF CENTREVILLE, MARYLAND**

**Statement of Activities  
For the Year Ended June 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Change in Net Assets</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General governmental administration	\$ 498,485	\$ 199,981	\$ 206,650	\$ -	\$ (91,854)	\$ -	\$ (91,854)
Public safety	1,007,003	125	50,000	-	(956,878)	-	(956,878)
Public works	1,410,236	252,353	85,334	-	(1,072,549)	-	(1,072,549)
Parks, Recreation, and Culture	98,853	-	(900)	-	(99,753)	-	(99,752)
Cemetery	105,017	30,775	-	-	(74,242)	-	(74,244)
Stormwater/Watershed	216,584	-	331,051	-	114,467	-	114,467
Centreville wharf	68,859	-	29,853	-	(39,006)	-	(39,006)
Interest expense	189,883	-	-	-	(189,883)	-	(189,883)
<b>Total governmental activities</b>	<b>3,594,920</b>	<b>483,234</b>	<b>701,988</b>	<b>-</b>	<b>(2,409,698)</b>	<b>-</b>	<b>(2,409,699)</b>
<b>Business-type:</b>							
Sewer	1,046,309	759,239	15,580	-	-	(271,490)	(271,490)
Water	798,951	565,453	-	-	-	(233,498)	(233,498)
Farm	2,012	27,284	-	-	-	25,272	25,272
<b>Total Business-type Activities</b>	<b>1,847,272</b>	<b>1,351,976</b>	<b>15,580</b>	<b>-</b>	<b>-</b>	<b>(479,716)</b>	<b>(479,716)</b>
<b>Total Primary Government</b>	<b>\$5,442,192</b>	<b>\$1,835,210</b>	<b>\$ 717,568</b>	<b>\$ -</b>	<b>(2,409,698)</b>	<b>(479,716)</b>	<b>(2,889,415)</b>
<b>General Revenue:</b>							
Real property taxes					1,946,992	-	1,946,992
Public utility taxes					35,274	-	35,274
Local income taxes					286,699	-	286,699
Miscellaneous					23,474	-	23,474
Investment earnings					152,174	42,895	195,069
Gains, losses, change in fair market value					85,418	-	85,418
Total General Revenue					<u>2,530,031</u>	<u>42,895</u>	<u>2,572,926</u>
Change in Net Assets					120,333	(436,821)	(316,488)
Net assets, beginning of year					<u>15,603,712</u>	<u>21,346,430</u>	<u>36,950,142</u>
<b>Net Assets, End of Year</b>					<u>\$ 15,724,045</u>	<u>\$ 20,909,609</u>	<u>\$36,633,654</u>

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

**TOWN OF CENTREVILLE, MARYLAND**

**Balance Sheet - Governmental Funds  
As of June 30, 2012**

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,077,434	\$ -	\$ 134,294	\$ 4,211,728
Investments	89,700	-	4,020,339	4,110,039
Receivables:				
Taxes, net	64,663	-	-	64,663
Accounts, net	366,538	-	-	366,538
Interest	-	52	24,611	24,663
Prepaid and other assets	22,438	-	-	22,438
Notes receivable	105,958	-	-	105,958
Due from other funds	369,883	-	-	369,883
<b>Total Assets</b>	<u>\$ 5,096,614</u>	<u>\$ 52</u>	<u>\$ 4,179,244</u>	<u>\$ 9,275,910</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 146,278	\$ -	\$ -	\$ 146,278
Accrued payroll	63,894	-	-	63,894
Deferred revenue	20,036	-	-	20,036
Due to other funds	-	-	201,598	201,598
<b>Total Liabilities</b>	<u>230,208</u>	<u>-</u>	<u>201,598</u>	<u>431,806</u>
<b>FUND BALANCES</b>				
Fund balances:				
Committed	306,922	-	3,977,646	4,284,568
Assigned	128,396	52	-	128,448
Unassigned	4,431,088	-	-	4,431,088
<b>Total Fund Balances</b>	<u>4,866,406</u>	<u>52</u>	<u>3,977,646</u>	<u>8,844,104</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,096,614</u>	<u>\$ 52</u>	<u>\$ 4,179,244</u>	<u>\$ 9,275,910</u>

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

**TOWN OF CENTREVILLE, MARYLAND**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
As of June 30, 2012**

<b>Total Governmental Fund Balances</b> (page 22)		\$ 8,844,104
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		11,595,650
Other assets are not available to pay for current period expenditures and, therefore are deferred in the funds:		
Deferred revenue		20,036
Unamortized bond costs		108,389
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	(26,508)	
Bond payable, net of issuance costs	(4,667,323)	
Compensated absences	<u>(150,303)</u>	<u>(4,844,134)</u>
<b>Total Net Assets of Governmental Activities</b> (page 20)		<u>\$ 15,724,045</u>

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

**TOWN OF CENTREVILLE, MARYLAND**

**Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds  
For the Year Ended June 30, 2012**

	<b>General Fund</b>	<b>Capital Project Fund</b>	<b>Permanent Fund</b>	<b>Total Governmental Funds</b>
<b>Revenue</b>				
General property taxes	\$ 1,982,272	\$ -	\$ -	\$ 1,982,272
Local income taxes	286,699	-	-	286,699
Permits and licenses	119,930	-	-	119,930
Charges for services	362,265	-	-	362,265
Intergovernmental	612,609	-	-	612,609
Miscellaneous:				
Other	33,324	-	-	33,324
Investment earnings	19,793	-	136,619	156,412
Gains, losses and changes in fair market value	-	-	85,418	85,418
Fees and charges	-	-	(13,033)	(13,033)
<b>Total revenue</b>	<b>3,416,892</b>	<b>-</b>	<b>209,004</b>	<b>3,625,896</b>
<b>Expenditures</b>				
General government administration	489,134	-	-	489,134
Public safety	966,668	-	-	966,668
Public works	879,348	-	-	879,348
Parks and recreation	79,885	-	-	79,885
Cemetery	105,017	-	-	105,017
Stormwater/Watershed	198,320	-	-	198,320
Centreville wharf	6,511	-	-	6,511
Capital outlay	1,554,455	46,907	-	1,601,362
Debt service:				
Principal	148,209	-	-	148,209
Interest	189,882	-	-	189,882
<b>Total expenditures</b>	<b>4,617,429</b>	<b>46,907</b>	<b>-</b>	<b>4,664,336</b>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(1,200,537)	(46,907)	209,004	(1,038,440)
<b>Other Financing Sources (Uses)</b>				
Proceeds of bond borrowings	1,496,414	-	-	1,496,414
Operating transfers	(799,326)	907,471	(104,105)	4,040
Total other financing sources (uses)	697,088	907,471	(104,105)	1,500,454
Excess (deficiency) of revenue and other financing sources over expenditures	(503,449)	860,564	104,899	462,014
Fund Balances, beginning of year	5,369,855	(860,512)	3,872,747	8,382,090
<b>Fund Balances, End of Year</b>	<b>\$ 4,866,406</b>	<b>\$ 52</b>	<b>\$ 3,977,646</b>	<b>\$ 8,844,104</b>

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

**TOWN OF CENTREVILLE, MARYLAND**

**Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balance –  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2012**

**Total Net Change in Fund Balances - Governmental Funds** (page 24) \$ 462,014

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets (\$934,067) is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense (\$563,376) in the current period. 370,691

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. 148,209

The issuance of long-term debt provides current financial resources to governmental funds. (790,874)

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	(9,693)
New bond costs, net of amortization	53,879
Change in deferred revenue	(63,894)
Accrued compensated absences	(49,999)

**Change in Net Assets of Governmental Activities** (page 21) \$ 120,333

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

**TOWN OF CENTREVILLE, MARYLAND**

**Statement of Net Assets – Proprietary Fund  
As of June 30, 2012**

	<b>Enterprise Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 5,552,828
Investments	114,154
Due to other funds	(168,285)
Receivables:	
Interest	124
Grant	15,580
Accounts, net	2,727,088
<b>Total Current Assets</b>	<u>8,241,489</u>
<b>Non-Current Assets</b>	
Unamortized bond issuance costs	85,987
Capital assets, net	21,507,815
Construction in progress	339,220
Total noncurrent assets	<u>21,933,022</u>
<b>Total Assets</b>	<u>30,174,511</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	167,911
Accrued payroll	17,930
Deferred revenue	2,316,540
Long term debt, current portion	573,874
<b>Total Current Liabilities</b>	<u>3,076,255</u>
<b>Non-Current Liabilities</b>	
Long term debt, net of current portion	6,188,647
<b>Total Liabilities</b>	<u>9,264,902</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	15,774,337
Unrestricted	5,135,272
<b>Total Net Assets</b>	<u>\$20,909,609</u>

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

**TOWN OF CENTREVILLE, MARYLAND**

**Statement of Revenue, Expenses and Change In Net Assets – Proprietary Fund  
For the Year Ended June 30, 2012**

	<b>Enterprise Fund</b>
<b>Operating Revenue</b>	<u>\$ 1,351,976</u>
<b>Operating Expenses</b>	
Salaries and benefits	551,407
Contractual services	108,933
Chemicals, lab and operating supplies	68,783
Depreciation	603,639
Utilities	210,410
Repairs and maintenance	44,127
Other operating expenses	5,209
<b>Total Operating Expenses</b>	<u>1,592,508</u>
<b>Operating Loss</b>	<u>(240,532)</u>
<b>Non-Operating Revenue (Expense)</b>	
Grant revenue	15,580
Interest expense	(254,768)
Investment earnings	42,899
<b>Total Non-Operating Revenue (Expense)</b>	<u>(196,289)</u>
Change in net assets	(436,821)
Net Assets, beginning of year	<u>21,346,430</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 20,909,609</u></u>

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

**TOWN OF CENTREVILLE, MARYLAND**

**Statement of Cash Flows – Proprietary Fund  
For the Year Ended June 30, 2012**

	<b>Enterprise Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 1,275,845
Cash paid for supplies, services, etc.	(737,224)
Cash paid for employees	(549,555)
<b>Net cash from operating activities</b>	<u>(10,934)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest on cash deposits and investments	<u>42,548</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Purchases/construction of capital assets	(176,182)
Interest paid on debt	(254,768)
Principal paid on debt	(563,294)
Proceeds from loans	115,089
<b>Net cash from financing activities</b>	<u>(879,155)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Transfers to other funds	<u>973,823</u>
Net change in cash and cash equivalents	126,282
Cash and cash equivalents, beginning of year	<u>5,426,546</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 5,552,828</u></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities:</b>	
Operating loss	\$ (240,532)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation and amortization	611,805
Effect of changes in non-cash operating assets and liabilities:	
Receivables, net	15,978
Payables and accrued expenses	(306,076)
Deferred revenue	(92,109)
<b>Net Cash from Operating Activities</b>	<u><u>\$ (10,934)</u></u>

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

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements June 30, 2012

### 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, stormwater and watershed management, 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 accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies of the Town are summarized below:

#### **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 (i.e., Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue include: 1) charges to customers or applicants who purchase, use or directly benefit from a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenue that are not classified as program revenue, such as taxes, are reported 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.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements June 30, 2012

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

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon 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 year. 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 Town reports the following major governmental funds: 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 funds' 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 Town reports only one Proprietary Fund: The Water and Sewer Enterprise Fund. This fund accounts for the Town's water and sewer operations.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements June 30, 2012

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

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

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.

#### **Assets, Liabilities and Net Assets or Fund Balances**

##### *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*

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 \$25,716, as of June 30, 2012, for the general fund.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements June 30, 2012

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

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

##### *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 as of 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 following schedule reports receivables and payables within the reporting entity as of fiscal year-end:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>	<u>Net Balances</u>
Governmental Activities:			
General fund	\$ 369,883	\$ -	\$ 369,883
Permanent fund	-	201,598	(201,598)
<b>Total Governmental Activities</b>	<u>\$ 369,883</u>	<u>\$ 201,598</u>	<u>\$ 168,285</u>
Business-type Activities	<u>\$ -</u>	<u>\$ 168,285</u>	<u>\$ (168,285)</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 activity columns in the government-wide financial statements. The government defines capital assets, as those with an initial cost of \$5,000. Such assets are recorded at historical or estimated historical cost if actual historical cost is not available. Donated 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.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements June 30, 2012

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

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

##### *Capital Assets* (continued)

Expenditures for major assets and improvements are capitalized as projects are constructed. Interest on debt during the construction period is capitalized. The amount of interest to be capitalized is offset by interest income earned on investment proceeds over the same period. Exhaustible capital assets of the General Fund and Proprietary Funds are depreciated, which is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are generally as follows:

<u>Category</u>	<u>Years</u>
Infrastructure	10 – 50
Land improvements	10 – 30
Buildings	20 – 50
Building improvements	10 – 40
Machinery and equipment	5 – 15
Water and sewer system	5 – 50
Vehicles	5 – 10

##### *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/Fund Equity*

Net assets represent the differences 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 and laws or regulations of other governments.

##### *Fund Balances*

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements

June 30, 2012

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

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

##### *Fund Balances* (continued)

##### *Nonspendable*

This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

##### *Restricted*

This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

##### *Committed*

This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority which includes the Town code, ordinances and resolutions. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action (Town code, ordinance, and resolution) it employed previously to commit those amounts.

##### *Assigned*

This component consists of amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by a Town designee.

##### *Unassigned*

This classification represent amounts that have not been restricted committed or assigned to specific purposes within the general fund.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the Town's policy to use committed resources first, then assigned, and then the unassigned as they are needed.

# **TOWN OF CENTREVILLE, MARYLAND**

## **Notes to the Financial Statements**

**June 30, 2012**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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 accounting principles generally accepted in the United States of America. 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 budget that was 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 annual appropriations, lapse at year-end.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements June 30, 2012

### 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, 2012, the Town's bank balance of cash deposits with financial institutions totaled \$9,836,748, of which \$250,000 was covered by Federal Deposit Insurance Corporation. The remaining \$9,586,748 are collateralized in accordance with State regulations. CNB 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 CNB, 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 as of June 30, 2012.

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

#### Investments

As of 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	<u>\$ 8,321,767</u>	<u>\$ 5,666,982</u>	<u>\$ 13,988,749</u>

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements

June 30, 2012

### 3. DEPOSITS AND INVESTMENTS (continued)

#### Investments (continued)

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

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$10,510,908
Federal Home Loan Mortgage Corp.	708,448
Federal National Mortgage Assn.	707,687
Federal Home Loan Bank	1,860,522
Federal Farm Credit Bank	201,184
<b>Total</b>	<u>\$13,988,749</u>

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.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements June 30, 2012

### 3. DEPOSITS AND INVESTMENTS (continued)

#### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. Of the \$4,224,193 of investments \$3,607,993 is 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 \$616,200 is collateralized with the CNB as mentioned in the Deposits footnote above. As of June 30, 2012, the Town was not exposed to custodial credit risk.

#### Foreign Currency Risk

The investment policy does not permit investments in foreign investments.

### 4. DUE FROM OTHER GOVERNMENTS

As of June 30, 2012, due from other governments, a component of taxes receivable, is summarized as follows:

#### General Fund:

State of Maryland	
Highway user tax	\$ 10,321
Income tax	29,328
Admissions tax	<u>1,178</u>
<b>Total Due From Other Governments</b>	<b><u>\$ 40,827</u></b>

### 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 2012. Settlement amounts have not exceeded insurance coverage for the past three years.

**TOWN OF CENTREVILLE, MARYLAND**

**Notes to the Financial Statements  
June 30, 2012**

**6. CAPITAL ASSETS**

Capital asset activities for the year ended June 30, 2012, were as follows:

**Governmental Activities**

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balances</b>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 2,712,891	\$ 205,252	\$ -	\$ 2,918,143
Construction in progress	250,553	49,016	19,805	279,764
Total capital assets not being depreciated	<u>2,963,444</u>	<u>254,268</u>	<u>19,805</u>	<u>3,197,907</u>
<b>Capital Assets Being Depreciated</b>				
Buildings and improvements	11,714,309	552,120	-	12,266,429
Equipment	1,146,856	147,484	-	1,294,340
Total capital assets being depreciated	12,861,165	699,604	-	13,560,769
<b>Less: Accumulated Depreciation for:</b>				
Buildings and improvements	3,849,976	462,167	-	4,312,143
Equipment	749,674	101,209	-	850,883
Total accumulated depreciation	4,599,650	563,376	-	5,163,026
Total capital assets being depreciated, net	<u>8,261,515</u>	<u>136,228</u>	<u>-</u>	<u>8,397,743</u>
<b>Capital Assets, Net</b>	<u>\$11,224,959</u>	<u>\$ 390,496</u>	<u>\$ 19,805</u>	<u>\$ 11,595,650</u>

**Business-Type Activities**

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balances</b>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 1,160,863	\$ -	\$ -	\$ 1,160,863
Construction in progress	286,975	65,101	12,856	339,220
Total capital assets not being depreciated	<u>1,447,838</u>	<u>65,101</u>	<u>12,856</u>	<u>1,500,083</u>
<b>Capital Assets Being Depreciated</b>				
Buildings and improvements	24,653,150	95,932	-	24,749,082
Equipment	361,887	28,005	-	389,892
Total capital assets being depreciated	<u>25,015,037</u>	<u>123,937</u>	<u>-</u>	<u>25,138,974</u>
<b>Less: Accumulated Depreciation for:</b>				
Buildings and improvements	3,974,430	583,149	-	4,557,579
Equipment	213,953	20,490	-	234,443
Total accumulated depreciation	4,188,383	603,639	-	4,792,022
Total capital assets being depreciated, net	<u>20,826,654</u>	<u>(479,702)</u>	<u>-</u>	<u>20,346,952</u>
<b>Capital Assets, Net</b>	<u>\$22,274,492</u>	<u>\$ (414,601)</u>	<u>\$ 12,856</u>	<u>\$ 21,847,035</u>

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements June 30, 2012

### 6. CAPITAL ASSETS (continued)

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

#### **Governmental Activities:**

General government	\$ 27,616
Public safety	40,336
Public works	450,667
Parks and recreation	44,757
<b>Total Depreciation Expense – Governmental Activities</b>	<u><u>\$563,376</u></u>

#### **Business-type Activities:**

Sewer	\$425,600
Water	178,039
<b>Total Depreciation Expense – Business-Type Activities</b>	<u><u>\$603,639</u></u>

### 7. CONTINGENT LIABILITIES

The Town is the recipient of several state-shared taxes and grants. These programs are subject to audit and retroactive adjustments, 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.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements June 30, 2012

### 8. LONG TERM LIABILITIES (continued)

#### 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 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.	\$ 2,296,150
Bond payable, Community Development Administration Local government Infrastructure Bonds 2012 Series A (Ambac Insured); payable in annual installments beginning May 1, 2013; interest at 3.562%; interest paid on unpaid principal installment amounts due and payable in semiannual payments commencing November 1, 2012; thereafter due first day of May and November each year; thereafter until maturity; the term for this obligation is 20 years.	2,555,540
Note payable, Mid-Shore Community Foundation, Inc.; payable in one lump sum payment of \$650,500, without interest on July 3, 2012; due in full July 2, 2012. Borrower agrees to pay to lender interest on the unpaid balance of the note at the rate of 10% per annum until paid in full.	650,500
Note payable, Centreville National Bank; payable in monthly installments of \$10,567, including principal and interest at 4.79%; final payment due June 7, 2037.	<u>1,833,098</u>
Total	7,335,288
Less: Undrawn proceeds	<u>2,667,965</u>
<b>Total Governmental Activities</b>	<u><u>\$ 4,667,323</u></u>

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements June 30, 2012

### 8. LONG TERM LIABILITIES (continued)

#### 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 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. \$ 2,085,875

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 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. 1,713,500

Bond payable, Water Quality Bond, Series 2002; payable in annual installments beginning February 1, 2003; interest at 1.2%; interest paid on unpaid principal installment amounts advanced under the loan agreement started on February 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. 425,133

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 957,886

Bond payable, Drinking Water Bond, Series 2010, payable in annual installments beginning February 1, 2011; interest at 1%; interest paid on the unpaid principal amounts advanced under the loan agreement started on August 1, 2010 and semi-annually thereafter on the first day of August and February each year through February, 2029; maximum principal amount of loan commitment is \$2,300,000. Final principal amount advanced was \$912,870. An annual fee of \$6,661 is paid by the town to MDE for Administering the loan. 689,823

Bond payable, Water Quality State Revolving Fund Bond, Series 2009 American Recovery and Reinvestment Act (ARRA), payable in annual installments beginning February 1, 2011; interest at 1%; interest paid on the unpaid principal amounts advanced under the loan agreement started on August 1, 2010 and semi-annually thereafter on the first day of August and February each year through February, 2030; maximum principal amount of loan commitment is \$2,281,000. Final principal amount advanced was \$1,812,481. An annual fee of \$6,318 is paid by the town to MDE for Administering the loan. 1,252,375

Total 7,124,592

Less: undrawn proceeds 362,071

**Total Business-Type Activities** \$ 6,762,521

**TOWN OF CENTREVILLE, MARYLAND**

**Notes to the Financial Statements**

**June 30, 2012**

**8. LONG TERM LIABILITIES (continued)**

The Town of Centreville also maintains a revolving line of credit in the amount of \$250,000 from CNB. 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.

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 803,274	\$ 182,088
2014	163,596	177,207
2015	166,005	169,023
2016	172,142	162,384
2017	179,175	154,715
2018 – 2037	5,851,096	1,320,981
<b>Total</b>	<b>\$ 7,335,288</b>	<b>\$ 2,166,398</b>

<b>Fiscal Year</b>	<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 573,874	\$ 230,941
2014	584,029	220,125
2015	433,257	209,038
2016	406,148	199,588
2017	415,513	189,874
2018 – 2043	4,711,771	1,821,142
<b>Total</b>	<b>\$ 7,124,592</b>	<b>\$ 2,870,708</b>

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements June 30, 2012

### 8. LONG TERM LIABILITIES (continued)

The following is a summary of changes in long term liabilities and compensated absences of the Town for the year ended June 30, 2012:

	<u>Water and Sewer Fund</u>	<u>Capital Project Fund</u>	<u>General Long-Term Debt</u>	<u>Compensated Absences/ OPEB</u>	<u>Total</u>
Balance, beginning of year	\$7,687,886	\$2,407,800	\$1,869,657	\$ 100,305	\$12,065,648
Increases	-	2,555,540	650,500	89,550	3,295,590
Decreases	(563,294)	(111,650)	(36,559)	(39,552)	(751,055)
Balance, end of year	7,124,592	4,851,690	2,483,598	150,303	14,610,183
Less: undrawn bond proceeds	362,071	2,667,965	-	-	3,030,036
<b>Total Long-Term Debt, Governmental</b>		<u>\$2,183,725</u>	<u>\$2,483,598</u>	<u>\$ 150,303</u>	<u>\$11,580,147</u>
<b>Total Long-Term Debt, Business-Type</b>	<u>\$6,762,521</u>				

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

Interest expense was \$254,768 and \$189,882, for the business-type and the governmental activities, respectively, for the year ended June 30, 2012.

### 9. COMMITMENTS AND CONTINGENCIES

#### Construction Projects

During May 2012, 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 bond is to be used to finance or refinance infrastructure projects undertaken by the Town. The bond issuance consists of the principal amount of \$2,555,540, for the purpose of street improvements, or refinancing previously issued debt. The proceeds of the bond 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 bond shall be used when and as required to pay project costs.

The Town of Centreville had participated in a prior bond issuance during May 2007 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

## **TOWN OF CENTREVILLE, MARYLAND**

### **Notes to the Financial Statements**

**June 30, 2012**

#### **9. COMMITMENTS AND CONTINGENCIES (continued)**

##### **Construction Projects (continued)**

Local Government Infrastructure Financing Program. The Town has used these general obligation bonds to finance various infrastructure projects undertaken by the Town. The bond issuance consisted 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 are held and invested by the Administration in its sole discretion and administered and disbursed by the Administration pursuant to a Repayment Agreement. The remaining proceeds shall be used to pay Project costs associated with the continued infrastructure improvements.

The Town of Centreville negotiated a contract for the purchase of the Centreville Wharf building located at Water Way and Watson Road just prior to fiscal year end 2012. A note was secured with Mid-Shore Community Foundation, Inc. for \$650,500 to be paid in full no later than July 2012. The Town has several prospective uses identified for the property under contract for purchase. The Town plans to lease office space to interested businesses to encourage economic development along the Wharf area hoping to encourage a thriving urban development to the surrounding community. The Town also is in need of suitable work space and has considered this property as a temporary solution for additional employee office space.

##### **Stormwater Management Construction Improvements**

The Town of Centreville made improvements to an existing 24" storm drain outfall located at the Centreville Wastewater Treatment Plant (WWTP) on Johnstown Lane. This stormwater management system drains an area including Goodwill Fire Company, the Queen Anne's County Board of Education, the Kramer Center, and the municipal parking lot on Powell Street. The outfall improvement project was designed by Lane Engineering. The design involved removing and disposing of the damaged concrete headwall and broken 24" concrete pipe, re-grading the slopes at the outfall, and installing three vegetated plunge pools in a stepped fashion constructed with large sandstone boulders and smaller silica cobbles. Environmental Concern, Inc. completed construction of the new outfall. The Town obtained grants from State and Federal agencies for design, project management and construction. Project costs were approximately \$95,000.

## **TOWN OF CENTREVILLE, MARYLAND**

### **Notes to the Financial Statements June 30, 2012**

#### **9. COMMITMENTS AND CONTINGENCIES (continued)**

##### **Public Works Agreements**

The Town has entered into several Public Works Agreements (PWA's) with developers for projects within the Town. Approximately 578 water and sewer allocations have been reserved under PWA agreements from the existing wastewater treatment facilities for either residential or commercial development. 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 \$4,102,963, as of June 30, 2012.

##### **Employment Contracts**

The Town has employment agreements with its Town Manager commencing April 2009 and its Chief of Police commencing April 2010 each for a one year term. In accordance with Section 601 and Section 701 of the Charter, which provides that the Town Manager and/or Chief of Police shall serve for an indefinite period at the pleasure of the Council, these agreements shall automatically renew for another one-year term until terminated. 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 monitoring, laboratory, and reporting services to the Town.

As of June 2010, the Town awarded a contract to Bates Trucking and Trash Removal, Inc. to provide curbside garbage collection and single stream recycling to eligible residents and businesses of the Town. The new contractor began collection services September 2010. The contract is for a two year period and provides the Town the ability to extend the contract for three additional one year terms. The total estimated cost of the service is \$138,942.

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 \$14,459,880, 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 \$506,635,299. Currently, the borrowing limit is \$101,327,060.

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements

June 30, 2012

### 9. COMMITMENTS AND CONTINGENCIES (continued)

#### 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.

### 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, 2012, 26 employees participated in the plan. Participants are 100% vested upon entry into the Plan. The Town's pension expense was \$68,040, in 2012.

### 11. OTHER POST EMPLOYMENT BENEFITS

The Town provides a post-employment medical insurance benefit and a prescription health reimbursement expense account to employees who retire from employment with twenty-five years of service. These post-employment benefits are subject to change at any time. The Town has not yet established a formal policy nor has it restricted any funds for the Plan. Currently, the employer's contributions are financed on a pay-as-you-go basis, and the future payment of these benefits is contingent upon the annual approval of the operating budget.

The medical benefits paid by the Town on behalf of the retiree's were \$5,402, for the year ended June 30, 2012.

Membership in the plan consisted of the following as of December 2010 actuarial valuation:

<u>Plan Participants</u>	
Retirees currently receiving benefits	
Retirees (Medicare Age)	2
Active employees	28
<b>Total</b>	<u>30</u>

# TOWN OF CENTREVILLE, MARYLAND

## Notes to the Financial Statements June 30, 2012

### 10. OTHER POST EMPLOYMENT BENEFITS (continued)

The Town of Centreville is considered a small single-employer plan with regards to implementing GASB 45 standards. The Town is able to prepare the estimate of the AAL and ARC using simplified methods and assumptions known as the Alternative Measurement Method. The standards allow the smallest single-employer plans – those with fewer than 100 members – to estimate the AAL and the ARC using simplified methods and assumptions. The Town’s OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was determined using the Alternative Measurement Method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Town’s net OPEB obligation:

Annual required contribution	\$ 29,177
Contributions made	<u>-</u>
Increase in net OPEB Obligation	29,177
Net OPEB Obligation, beginning of year	<u>58,354</u>
<b>Net OPEB Obligation, End of Year</b>	<b><u><u>\$ 87,531</u></u></b>

The Town is not required by law or contractual agreement to provide funding for retiree benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees. The Town may contribute those amounts that the Town Council of Centreville appropriates. The net OPEB obligation is included in compensated absences on the accompanying statement of net assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the ARC of the Town are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information, presents the results of OPEB valuations as of June 30, 2012; going forward, the schedule will eventually provide multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**TOWN OF CENTREVILLE, MARYLAND**

**Notes to the Financial Statements  
June 30, 2012**

**10. OTHER POST EMPLOYMENT BENEFITS (continued)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (1)</b>	<b>Accrued Liability (AAL) Projected Unit Credit (2)</b>	<b>Percentage Funded (1)/(2)</b>	<b>Unfunded AAL (UAAL) (2) - (1)</b>	<b>Covered Payroll (5)</b>	<b>UAAL as a Percentage of Covered Payroll ((2-1)/5)</b>
12/2010	\$ -	\$ 163,905	0%	\$ 163,905	\$ 1,405,475	11.66%

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The annual required contribution for the current year was determined as part of the December 2010 alternative measurement method using the entry age cost method; it is being amortized over a period of 30 years. The actuarial assumptions include a 6 percent investment rate of return. The funding method is level percentage of projected payroll. Payroll is assumed to increase at 2 percent per annum. This assumption is used to determine the level percentage of payroll amortization factor.

**11. SUBSEQUENT EVENT**

During November 2012, the Town approved a month-to-month contract with Maryland Environmental Service (MES) to provide support services at the Town of Centreville Water and Wastewater Treatment Facilities. The total estimated cost of the support services is \$13,302 per month.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF CENTREVILLE, MARYLAND**

**Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual –  
General Fund  
For the Year Ended June 30, 2012**

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenue</b>			
<b>Revenue from Local Sources:</b>			
Real property	\$ 1,910,252	\$ 1,946,992	\$ 36,740
Personal property	39,021	35,280	(3,741)
Penalties and interest	-	-	-
Local income taxes	<u>265,000</u>	<u>286,699</u>	<u>21,699</u>
Total taxes	2,214,273	2,268,971	54,698
<b>Permits and Licenses:</b>			
Amusement	7,422	4,477	(2,945)
License distribution	8,700	8,810	110
Permit fees	70,000	50,963	(19,037)
Franchise fees	45,000	49,109	4,109
Other licenses and fees	<u>12,500</u>	<u>6,571</u>	<u>(5,929)</u>
Total permits and licenses	143,622	119,930	(23,692)
<b>Charges for Services:</b>			
General government administration	139,200	72,673	(66,527)
Public safety	38,100	37,239	(861)
Sanitation and waste removal	<u>250,500</u>	<u>252,353</u>	<u>1,853</u>
Total charges for services	427,800	362,265	(65,535)
<b>Miscellaneous Revenue</b>	<u>51,050</u>	<u>53,117</u>	<u>2,067</u>
Total revenue from local sources	<u>2,836,745</u>	<u>2,804,283</u>	<u>(32,462)</u>
<b>Revenue from Intergovernmental</b>			
<u>State</u>			
Police protection	41,000	41,000	-
Highway user taxes	45,950	47,317	1,367
Grants	<u>1,001,942</u>	<u>388,880</u>	<u>(613,062)</u>
Total state revenue	1,088,892	477,197	(611,695)
<u>County</u>			
Payments in lieu of taxes	<u>134,468</u>	<u>135,412</u>	<u>944</u>
Total revenue from intergovernmental	<u>1,223,360</u>	<u>612,609</u>	<u>(610,751)</u>
<b>Total Revenue</b>	<u>\$ 4,060,105</u>	<u>\$ 3,416,892</u>	<u>\$ (643,213)</u>

**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, 2012**

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures</b>			
General government administration:			
Legislative	\$ 107,266	\$ 97,949	\$ 9,317
Planning and zoning	280,718	173,131	107,587
General services	<u>286,475</u>	<u>218,054</u>	<u>68,421</u>
Total general government administration	674,459	489,134	185,325
Public safety:			
Police	985,452	921,668	63,784
Volunteer fire and rescue services	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Total public safety	1,030,452	966,668	63,784
Public works:			
Waste collection	382,956	367,439	15,517
Highways and streets	<u>482,592</u>	<u>511,909</u>	<u>(29,317)</u>
Total public works	865,548	879,348	(13,800)
Parks and recreation	95,117	79,885	15,232
Cemetery	105,771	105,017	754
Stormwater/Watershed	353,109	198,320	154,789
Centreville wharf	37,167	6,511	30,656
Capital outlay	2,851,921	1,554,455	1,297,466
Debt service	<u>338,093</u>	<u>338,091</u>	<u>2</u>
<b>Total Expenditures</b>	<u>6,351,637</u>	<u>4,617,429</u>	<u>1,734,208</u>
Excess deficiency of revenue over expenditures before other financing sources	(2,291,532)	(1,200,537)	1,090,995
<b>Other Financing Sources</b>			
Bond/Commercial financing	2,171,532	1,496,414	(675,118)
Operating transfers	<u>120,000</u>	<u>(799,326)</u>	<u>(919,326)</u>
Total other financing sources	<u>2,291,532</u>	<u>697,088</u>	<u>(1,594,444)</u>
Excess (deficiency) of revenue and other financing sources over expenditures	<u>\$ -</u>	<u>\$ (503,449)</u>	<u>(503,449)</u>
<b>Summary</b>			
Total Revenue	\$ 4,060,105	\$ 3,416,892	\$ (643,213)
Total Expenditures	<u>6,351,637</u>	<u>4,617,429</u>	<u>1,734,208</u>
<b>Deficiency of Revenue Over Expenditures</b>	<u><u>\$ (2,291,532)</u></u>	<u><u>\$ (1,200,537)</u></u>	<u><u>\$ 1,090,995</u></u>

**TOWN OF CENTREVILLE, MARYLAND**

**Supplemental Balance Sheet – General Fund  
As of June 30, 2012**

	<u>General Fund</u>	<u>Revolving Housing Fund</u>	<u>Perpetual Care Fund</u>	<u>Total General Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$3,994,984	\$ 26,971	\$ 55,479	\$4,077,434
Investments	-	-	89,700	89,700
Receivables:				
Taxes (net)	64,663	-	-	64,663
Accounts (net)	356,146	-	10,392	366,538
Prepaid and other assets	22,438	-	-	22,438
Notes receivable	-	105,958	-	105,958
Due from other funds	245,503	67,867	56,513	369,883
<b>Total Assets</b>	<u>\$4,683,734</u>	<u>\$ 200,796</u>	<u>\$ 212,084</u>	<u>\$5,096,614</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 146,278	\$ -	\$ -	\$ 146,278
Accrued payroll	63,894	-	-	63,894
Escrow deferred payable	20,036	-	-	20,036
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<u>230,208</u>	<u>-</u>	<u>-</u>	<u>230,208</u>
<b>FUND BALANCES</b>				
Assigned	22,438	105,958	-	128,396
Committed	-	94,838	212,084	306,922
Unassigned	4,431,088	-	-	4,431,088
<b>Total Fund Balances</b>	<u>4,453,526</u>	<u>200,796</u>	<u>212,084</u>	<u>4,866,406</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$4,683,734</u>	<u>\$ 200,796</u>	<u>\$ 212,084</u>	<u>\$5,096,614</u>

**TOWN OF CENTREVILLE, MARYLAND**

**Supplemental Statement of Revenue, Expenditures and Changes in Fund Balances –  
General Fund  
For the Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Revolving Housing Fund</u>	<u>Perpetual Care Fund</u>	<u>Total General Funds</u>
<b>REVENUE</b>				
General property taxes	\$1,982,272	\$ -	\$ -	\$1,982,272
Other local taxes	286,699	-	-	286,699
Permits and licenses	119,930	-	-	119,930
Charges for services	350,815	-	11,450	362,265
Intergovernmental	612,609	-	-	612,609
Miscellaneous	53,006	-	111	53,117
<b>Total Revenue</b>	<u>3,405,331</u>	<u>-</u>	<u>11,561</u>	<u>3,416,892</u>
<b>EXPENDITURES</b>				
General government administration	489,134	-	-	489,134
Public safety	966,668	-	-	966,668
Public works	879,348	-	-	879,348
Parks and recreation	79,885	-	-	79,885
Cemetery	105,017	-	-	105,017
Stormwater/Watershed	198,320	-	-	198,320
Centreville wharf	6,511	-	-	6,511
Capital outlay	1,554,455	-	-	1,554,455
Debt service:				
Principal	148,209	-	-	148,209
Interest	189,882	-	-	189,882
<b>Total Expenditures</b>	<u>4,617,429</u>	<u>-</u>	<u>-</u>	<u>4,617,429</u>
Excess (deficiency) of revenue over expenditures	<u>(1,212,098)</u>	<u>-</u>	<u>11,561</u>	<u>(1,200,537)</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds of bond borrowings	1,496,414	-	-	1,496,414
Operating transfers	(799,326)	-	-	(799,326)
Total other financing sources	<u>697,088</u>	<u>-</u>	<u>-</u>	<u>697,088</u>
Net change in fund balance	(515,010)	-	11,561	(503,449)
Fund Balances, beginning of year	<u>4,968,533</u>	<u>200,797</u>	<u>200,525</u>	<u>5,369,855</u>
<b>Fund Balances, End of Year</b>	<u>\$4,453,523</u>	<u>\$ 200,797</u>	<u>\$ 212,086</u>	<u>\$4,866,406</u>

**TOWN OF CENTREVILLE, MARYLAND**

**Supplemental Statement of Revenue, Expenses and Changes in Net Assets –  
Enterprise Fund  
For the Year Ended June 30, 2012**

<b>REVENUE</b>	
<b>Charges for Services:</b>	
Sewer allocation fees	\$ 162,010
Water allocation fees	93,083
Sewer	581,979
Water	405,397
Water penalty	20,070
Sewer vacant lots	30,051
Meter equipment	7,731
Connection charges	4,129
I & I study charge	5,885
Sale of crops	27,284
Other fines and forfeitures	14,357
<b>Total charges for services</b>	<u>1,351,976</u>
<b>Miscellaneous Revenue:</b>	
Grant revenue	15,580
Investment earnings	42,899
<b>Total miscellaneous revenues</b>	<u>58,479</u>
<b>Total Revenue</b>	<u>1,410,455</u>
<b>EXPENSES</b>	
<b>Operating Expenses:</b>	
Sewer	913,674
Water	676,820
Farm	2,014
<b>Total operating expenses</b>	<u>1,592,508</u>
<b>Debt Service:</b>	
Interest	233,354
Administrative fees	21,414
<b>Total debt service</b>	<u>254,768</u>
<b>Total Expenses</b>	<u>1,847,276</u>
<b>Change in Net Assets</b>	<u>\$ (436,821)</u>