



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
June 30, 2013**

TOWN OF ELKTON, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
June 30, 2013



Prepared by: Town of Elkton Finance Department

Joseph L. Fisona, Mayor
Lewis H. George, Jr., Town Administrator
Steven H. Repole, Finance Director
A. Beth Moran, Assistant Finance Director

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Mayor and Commissioners
of the Town of Elkton

Joseph L. Fisona, Mayor

Lewis H. George, Jr.,
Town Administrator

Charles H. Givens, Sr., Commissioner
Charles E. Hicks V, Commissioner
Mary Jo Jablonski, Commissioner
Earl M. Piner, Sr., Commissioner

February 21, 2014

To Mayor Joseph L. Fisona, Town Commissioners, and the Citizens of the Town of Elkton:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue this comprehensive annual financial report of the Town of Elkton for the fiscal year ended June 30, 2013.

This report consists of management's representations concerning the finances of the Town of Elkton. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Elkton has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Elkton's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Elkton's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Elkton's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Elkton as of and for the fiscal year ended June 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Elkton's financial statements as of and for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Elkton's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Town of Elkton, established in 1787, is the County seat of Cecil County. The Town is situated on approximately 8.2 square miles and is located at the northern most reaches of the Chesapeake Bay, at the head of the Elk River near the Maryland/Delaware border. It is 51 miles from Baltimore, MD, 20 miles from Wilmington, DE, and approximately half-way between Baltimore, MD and Philadelphia, PA. Elkton is the governmental, commercial and employment center for Cecil County and serves a population of 15,443 per the 2010 Federal Census. As of July 1, 2012, the population was estimated at 15,579 by the United States Census Bureau. The Town is empowered to levy a property tax on real properties and all business tangible personal property within its boundaries and to charge user fees for services it provides. The Town is also empowered by State Statute to extend its corporate limits by annexation, which it has done from time to time.

The Town adopted its present charter in 1996. Under the Charter, the legislative functions of the Town are vested in a Board of Commissioners, consisting of a Mayor and four Commissioners. The Mayor and four Commissioners are elected on an at-large basis for four-year terms. The Mayor is the Chief Executive Officer and the head of the administrative branch of the government. In addition, the Mayor has complete supervision over the financial administration of the Town government.

The Mayor appoints, subject to confirmation by the Board of Commissioners, the Town Administrator of the Town of Elkton. The Town Administrator is responsible to the Mayor and Commissioners for all Town affairs, including financial affairs. The Director of Finance has been delegated the task of supervising and directing the proper accounting of all revenues and expenditures, preparation of financial reports and assisting the Mayor in the preparation of the annual operating budget.

The Town provides municipal services contemplated by statute or charter. These include police, traffic control, inspection services, highways and streets, sanitation, water, sewer, parking, parks and recreation, public improvements, planning and zoning and general administrative services. There are no other reporting entities for which the Town is considered to be financially accountable.

The annual budget serves as the foundation for the Town's financial planning and control. The Charter of the Town requires the Mayor, at least thirty-two days before the beginning of any fiscal year, to submit a budget to the Board of Commissioners. The Charter states that "The budget shall provide a complete financial plan for the budget year and shall contain estimates of anticipated revenues and proposed expenditures for the coming year."

The Charter further provides that "Before adopting a budget, the Board of Commissioners shall hold a public hearing thereon after two weeks notice thereof in some newspaper or newspapers having general circulation within the Town." The Board is required to adopt a final budget thirty-two days before the beginning of the fiscal year. The budget is prepared by fund, function (e.g., public safety), department (e.g., police), and object (e.g., supplies). Once the budget has been formally adopted, transfers between and within fund, function, department and object require the approval of the Board of Commissioners. Budget-to-actual comparisons are provided in this report for the General Fund.

Factors Affecting Financial Condition

The information presented in the financial statements is, perhaps, best understood when it is considered from the broader perspective of the specific environment within which the Town of Elkton operates.

Local Economy

The Town of Elkton strives to maintain the best elements of its small town character while pursuing a downtown revitalization program and a commercial and industrial growth policy. Factors which make the Town a great place to live and work include a short commute to work, good health care, school quality, low crime, recreational activities, controlled growth and low taxes and fees.

Elkton is located in close proximity to major routes or hubs for several different modes of transportation. The Town is within a few hours from most major eastern cities. Highways provide the most dominant transportation corridors in the Elkton area. Maryland Routes 7, 213, 279, 545 and U.S. Route 40 all pass through the Town, and Interstate 95 skirts the northern Town limits.

Citizens of Elkton continue to enjoy a diversified employer base that includes companies from the agriculture, construction, manufacturing, wholesale, retail, transportation, service, information, professional and educational industries.

The following schedule represents a substantial increase in the value of new construction permits issued in fiscal year 2013, led by the construction of an 84 unit affordable workforce housing project.

Construction Permits Issued			
Fiscal Year	Number	Value	% Increase/ (Decrease)
2013	28	\$ 11,706,892	71.4%
2012	41	6,830,197	(54.4)%
2011	43	14,979,445	794.3%
2010	18	1,675,000	(72.7)%
2009	21	6,129,000	37.5%
2008	23	4,458,660	(71.1)%
2007	67	15,405,000	(2.5)%
2006	107	15,802,333	(45.3)%
2005	174	28,876,293	8.7%
2004	123	26,568,494	- %

Presently, the Town has 3,778 residential units and 21 commercial units in various stages of development that will benefit the Town well into the future. Because of the availability of 1.3 million gallons per day unused wastewater treatment capacity and up to 1.5 million gallons per day supplemental drinking water available from Artesian Water Maryland, Inc., the Town continues to be well positioned to provide the water and sewer needs for residential projects approved but not yet started.

Long-term Financial Planning

The Mayor and Commissioners continue to pursue an aggressive agenda to renew, beautify, and rehabilitate its downtown business area and historic properties for the enrichment of the lives of its citizens and visitors.

Toward that effort, the Town continues to fund the Elkton Chamber and Alliance which supports and promotes both local business and tourism. Participation with the Wilmington Area Planning Council continues as the Town actively pursues federal funding for a wide array of projects, the single largest being the reestablishment of train service to Elkton. The Maryland Transportation Authority is also involved in this effort. Although the amount committed for the design of a Community Recreation Center has been reduced from \$1.5 million to \$500,000, the Mayor and Commissioners continue to consider various options toward this effort.

Efforts continue in developing well water sources throughout the Town. One new draw permit has been obtained, with an additional permit request pending. Draw permits are issued by the Maryland Department of the Environment who factor the wells' potential along with the total demand, the timing of the demand, and the Artesian Water, Maryland, Inc. backup availability. Additionally, over \$1.0 million has been expended on the just completed upgrade of three wastewater pump stations to accommodate the added wastewater demands from recently approved annexations. These efforts are further evidence of the Town's proactive commitment to having the necessary water and sewer infrastructure in place for future growth.

Financial Policies

The Mayor and Commissioners passed Ordinance 8-2012 on December 5, 2012 providing for annual water and sewer user rates increases through December 31, 2015. These rates, as recommended by a formal rate study, ensure sufficient revenue to pay for water and wastewater operations, capital improvements, debt service, and the purchase of water from Artesian Water, Maryland, Inc. This also prevents the Water and Sewer funds from operating at a deficit, which could potentially require a subsidy, or loan, from the General Fund.

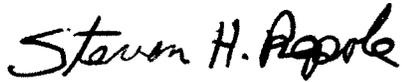
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Elkton for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. This is the ninth consecutive year the Town of Elkton has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We would like to express our appreciation to all members of the departments who assisted in and contributed to the preparation of this report. Credit also must be given to the Mayor and Commissioners for their unfailing support and maintaining the highest standards of professionalism in the management of the Town of Elkton's finances.

Respectfully submitted,



Steven H. Repole
Finance Director



A. Beth Moran
Assistant Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

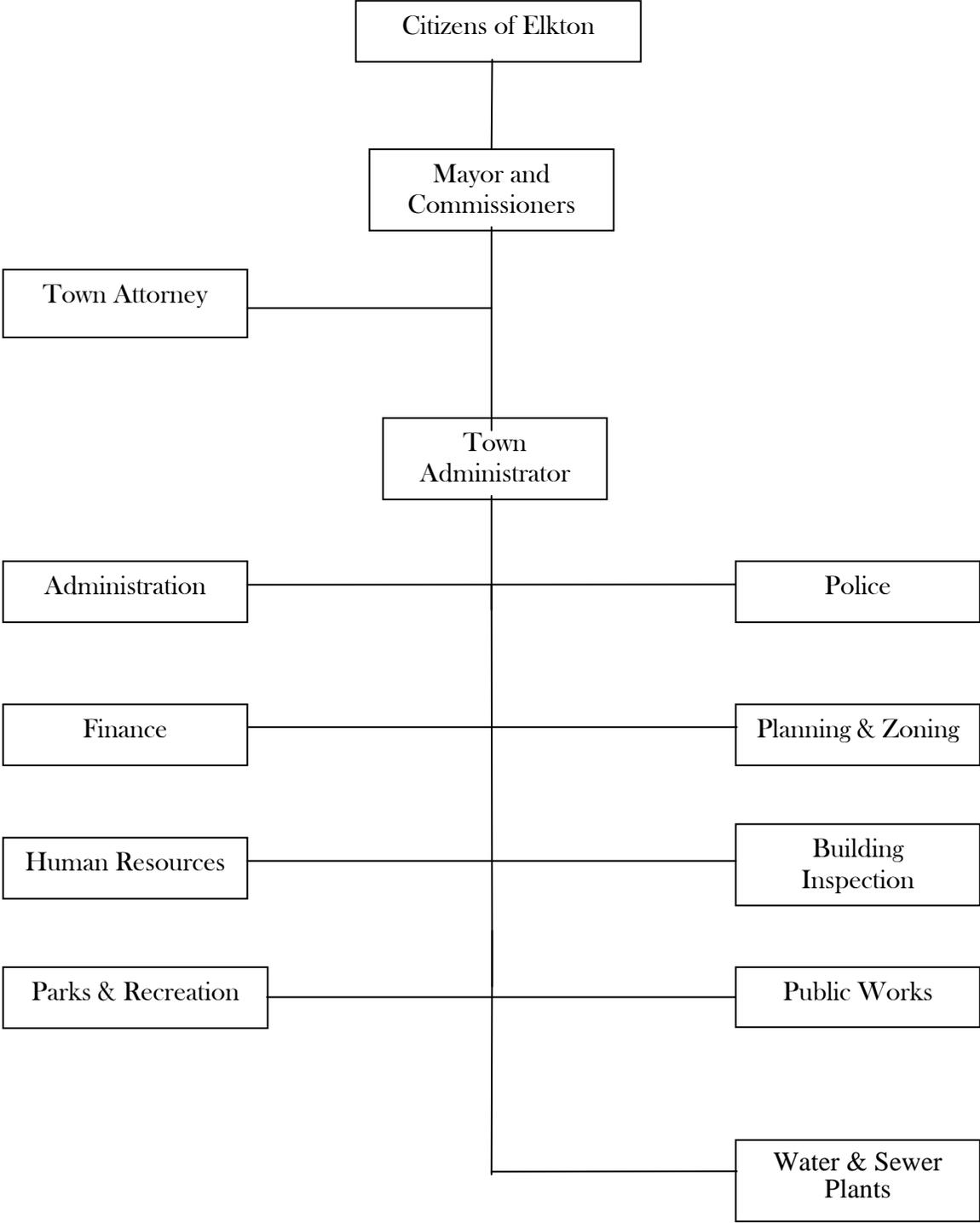
**Town of Elkton
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

**TOWN OF ELKTON, MARYLAND
ORGANIZATIONAL CHART**



TOWN OF ELKTON, MARYLAND

**CECIL COUNTY, MARYLAND
GOVERNMENT ORGANIZATION**

ELECTED AND APPOINTED OFFICIALS

AS OF JUNE 30, 2013

ELECTED OFFICIALS

Mayor
Commissioner
Commissioner
Commissioner
Commissioner

Joseph L. Fisona
Charles H. Givens, Sr.
Charles E. Hicks V
Mary Jo Jablonski
Earl M. Piner, Sr.

OTHER OFFICIALS

Town Administrator
Attorney

Lewis H. George, Jr.
H. Norman Wilson, Jr.

DEPARTMENT DIRECTORS

Finance Director
Planning Director
Human Resources Director
Chief of Police
Building/Zoning Director
Public Works Director
Parks & Recreation Director
Water/Wastewater Treatment Plant Operator

Steven H. Repole
Jeanne D. Minner
Laura A. Brown
William E. Ryan
J. Craig Trostle, Jr.
J. Daniel Handley
Mary C. Magaw
J. Kenneth Benner, Project
Manager, Severn Trent
Environmental Services, Inc.



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Commissioners
Town of Elkton, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Elkton, Maryland, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Elkton, Maryland as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison statement of the general

fund and the schedule of funding progress as listed on the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Elkton, Maryland's basic financial statements. The detailed schedule of budgetary comparison for the general fund and combining schedules of fiduciary funds and other information including the introductory section and statistical tables as listed on the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information such as the detailed schedule of budgetary comparison for the general fund and the combining schedules of fiduciary funds as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information such as the detailed schedule of budgetary comparison for the general fund and the combining schedules of fiduciary funds as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2014, on our consideration of the Town of Elkton, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Elkton, Maryland's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland

February 21, 2014

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

INTRODUCTION

As management of the Town of Elkton, Maryland, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. The Management's Discussion and Analysis (MD&A) is best understood if read in conjunction with the Transmittal Letter and the Town's basic financial statements. We encourage users to read it in conjunction with the Transmittal Letter at the front of this report and the Town's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FY 2013

The Town's assets exceeded its liabilities at the close of the 2013 fiscal year by approximately \$71.0 million (total net position). Approximately 78% of this amount is attributable to the Town's utilities (Water and Sewer). Of the total net position, \$17.2 million (unrestricted) may be used to meet ongoing obligations to citizens and creditors and \$52.3 million is the investment in capital assets.

As of the close of the 2013 fiscal year, the Town's only governmental fund (General Fund) reported an ending fund balance of \$7.1 million. Of this total amount, \$4.1 million is unassigned and represents working capital available to support governmental operating needs and future years' expenditures. The unassigned fund balance for the General Fund is 35.6% of total expenditures and represents funding for less than five months of expenditures.

The General Fund, on a current financial resources basis, reported expenditures in excess of revenues and other financial sources and uses of approximately \$1.0 million.

The Town's total debt decreased by approximately \$1.0 million during the current fiscal year, from \$19.7 million to \$18.7 million. This is the net result of new debt in the Governmental Activities exceeding the retirement of existing debt by \$26,000, retirement of existing debt in the Business-Type Activity totaling \$1.1 million, and other post employment benefit costs and compensated absences increasing by \$130,000.

USING THIS ANNUAL REPORT

This Comprehensive Annual Financial Report (CAFR) consists of three sections – Introductory, Financial and Statistical. The basic financial statements in the financial section include two kinds of statements that present different views of the Town as described in more detail below:

- The government-wide financial statements, which are the Statement of Net Position and the Statement of Activities, provide information about the activities of the Town as a whole. They present both short-term and long-term information about the Town's overall financial status.

**TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

- For governmental activities, fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant fund. The remaining statements are fiduciary fund statements and provide financial information about activities for which the Town acts solely as a trustee for the benefit of those outside of the government. The basic financial statements also include notes that provide explanation of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Town's budget for the year. The chart below shows how the various parts of this annual report are arranged and flow in the Financial Section:

Independent Auditor's Report

Provides the opinion of the Independent Auditor on the fair presentation of the financial statements.

Management's Discussion and Analysis

This supplementary information is required for state and local government financial statements, and is intended to provide a narrative introduction, overview and analysis.

**Government-Wide
Financial Statements**

Provides information on governmental and business type activities of the primary government.

Fund

Financial Statements
Provides information on the financial position of specific funds of the primary government.

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

The chart below summarizes the major features of the Town's two financial statements, including the portion of the activities they cover and the types of information they contain.

	<u>Government-Wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire Town (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as Police, Parks, Recreation & Culture, and General Administration	Instances in which the Town administers resources on behalf of someone else, such as the Pension Plan
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of in-flow/out-flow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liabilities are due and payable	All additions and deductions during the year, regardless of when cash is received or paid

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

The following highlights are the structure and contents of each of the statements.

Government-Wide Financial Statements

One of the most important questions asked about the Town's finances is: "Is the Town, as a whole, better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. The two statements report the Town's net position and changes in them, and include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position is designed to provide bottom line results for the Town's governmental and business-type activities. This statement reports the Town's governmental fund's current financial resources (i.e., short-term spendable resources) with capital assets and long-term obligations. All infrastructure assets built or purchased by the Town, and infrastructure dedicated by developers, are included in the accompanying government-wide financial statements.

You can think of the Town's Net Position, the difference between assets and liabilities, as one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's Net Position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the Town's property tax base and the conditions of the Town's infrastructure, to assess the overall health of the Town.

The Statement of Activities is focused on both the gross and net cost of various functions. This is intended to summarize and simplify the users' analysis of the cost of various governmental services. In the government-wide financial statements, the activities of the Town are maintained within governmental and business-type activities. Most of the Town's basic services are reported here, including police, public works, recreation and general administration. These activities are financed with revenues from property taxes, other state and county taxes, state and federal grants and charges for services. Additionally, the Town's water and sewer services are reported here.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Funds are accounting devices used to track specific sources of funding and spending on particular programs. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town can be divided into three categories - governmental funds, proprietary funds and fiduciary funds.

Governmental Funds:

Most of the Town's basic services are reported in one governmental fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. The fund is reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in a Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position, and a separate Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities. The Town of Elkton maintains only one major governmental fund (the General Fund).

Proprietary Funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The Town uses enterprise funds to account for its Water, Sewer, and Major Facility funds. Proprietary funds provide the same type of information as the government-wide financial statement, only in more detail.

Fiduciary Funds:

The Town is the trustee, or fiduciary, for assets that belong to its employees' pension plans. The Town is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These activities are excluded from the government-wide financial statements because the assets cannot be used to finance operations.

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The following tables present a summary of the Statement of Net Position for the Town as of June 30, 2013 and 2012, respectively:

NET POSITION - JUNE 30, 2013

	Governmental	Business-type	Total
	Activities	Activities	Activities
ASSETS			
Current and other assets	\$ 8,108,931	\$ 12,720,570	\$ 20,829,501
Non-current assets	54,421	-	54,421
Capital assets	<u>10,289,147</u>	<u>59,995,437</u>	<u>70,284,584</u>
Total assets	18,452,499	72,716,007	91,168,506
LIABILITIES			
Long-term liabilities outstanding	2,506,579	16,241,867	18,748,446
Other liabilities	<u>609,374</u>	<u>835,434</u>	<u>1,444,808</u>
Total liabilities	<u>3,115,953</u>	<u>17,077,301</u>	<u>20,193,254</u>
Net Position			
Net investment in capital assets	8,415,967	43,871,729	52,287,696
Restricted	1,479,906	-	1,479,906
Unrestricted	<u>5,312,540</u>	<u>11,766,977</u>	<u>17,079,517</u>
TOTAL NET POSITION	<u>\$ 15,336,546</u>	<u>\$ 55,638,706</u>	<u>\$ 70,975,252</u>

NET POSITION - JUNE 30, 2012

	Governmental	Business-type	Total
	Activities	Activities	Activities
ASSETS			
Current and other assets	\$ 9,230,889	\$ 10,758,177	\$ 19,989,066
Non-current assets	392,254	-	392,254
Capital assets	<u>1,080,057</u>	<u>60,930,207</u>	<u>62,010,264</u>
Total assets	<u>10,703,200</u>	<u>71,688,384</u>	<u>82,391,584</u>
LIABILITIES			
Long-term liabilities outstanding	2,370,985	17,287,479	19,658,464
Other liabilities	<u>598,305</u>	<u>323,045</u>	<u>921,350</u>
Total liabilities	<u>2,969,290</u>	<u>17,610,524</u>	<u>20,579,814</u>
Net Position			
Net investment in capital assets	8,233,290	43,740,141	51,973,431
Restricted	1,635,859	-	1,635,859
Unrestricted	<u>6,511,761</u>	<u>10,337,719</u>	<u>16,849,480</u>
TOTAL NET POSITION	<u>\$ 16,380,910</u>	<u>\$ 54,077,860</u>	<u>\$ 70,458,770</u>

TOWN OF ELKTON, MARYLAND
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The Town's assets exceeded its liabilities at the close of the 2013 fiscal year by \$71.0 million. Approximately \$52.3 million of the Town's net position reflect its investment in capital assets, (e.g., land, buildings, improvements, vehicles, furniture and equipment, infrastructure). The Town uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

Changes in Net Position

The following tables present a summary of the changes in net position for governmental and business-type activities for the years ending June 30, 2013 and 2012, respectively:

Changes in Net Position			
Fiscal Year Ending June 30, 2013			
	Governmental	Business-type	Total
	Activities	Activities	Activities
REVENUES			
Program Revenues			
Charges for services	\$ 1,286,854	\$ 8,509,914	\$ 9,796,768
Operating grants and contributions	412,730	-	412,730
Capital grants and contributions	-	54,900	54,900
General Revenues			
Property taxes	7,135,947	-	7,135,947
State and County shared taxes	1,078,655	-	1,078,655
Investments earnings	15,654	14,313	29,967
Miscellaneous	145,230	144,800	290,030
Total revenues	10,075,070	8,723,927	18,798,997
Program Expenses			
General government	1,398,465	-	1,398,465
Public safety	6,177,765	-	6,177,765
Public works	3,053,786	-	3,053,786
Recreation and culture	425,725	-	425,725
Interest on long-term debt	63,693	-	63,693
Utilities and other proprietary funds	-	7,163,081	7,163,081
Total expenses	11,119,434	7,163,081	18,282,515
CHANGE IN NET POSITION	(1,044,364)	1,560,846	516,482
NET POSITION - BEGINNING OF YEAR	16,380,910	54,077,860	70,458,770
NET POSITION - END OF YEAR	\$ 15,336,546	\$ 55,638,706	\$ 70,975,252

TOWN OF ELKTON, MARYLAND
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June 30, 2013

Changes in Net Position
Fiscal Year Ending June 30, 2012

	Governmental	Business-type	Total
	Activities	Activities	Activities
REVENUES			
Program Revenues			
Charges for services	\$ 1,139,049	\$ 7,130,000	\$ 8,269,049
Operating grants and contributions	261,419	-	261,419
Capital grants and contributions	-	79,883	79,883
General Revenues			
Property taxes	7,061,089	-	7,061,089
State and County shared taxes	1,079,807	-	1,079,807
Investments earnings	17,559	16,653	34,212
Miscellaneous	43,214	166,340	209,554
Total revenues	<u>9,602,137</u>	<u>7,392,876</u>	<u>16,995,013</u>
Program Expenses			
General government	1,434,055	-	1,434,055
Public safety	5,681,640	-	5,681,640
Public works	2,883,683	-	2,883,683
Recreation and culture	376,518	-	376,518
Interest on long-term debt	77,424	-	77,424
Utilities and other proprietary funds	-	7,028,164	7,028,164
Special Items			
Legal settlement	60,234	-	60,234
Total expenses	<u>10,513,554</u>	<u>7,028,164</u>	<u>17,541,718</u>
CHANGE IN NET POSITION	(911,417)	364,712	(546,705)
NET POSITION - BEGINNING OF YEAR	<u>17,292,327</u>	<u>53,713,148</u>	<u>71,005,475</u>
NET POSITION - END OF YEAR	<u>\$ 16,380,910</u>	<u>\$ 54,077,860</u>	<u>\$ 70,458,770</u>

The Town's total revenues were \$18.8 million, an increase of approximately \$1.8 million. The majority of the overall increase, \$1.3 million, was due to an increase in Business-type Activities total revenues - \$750,000 in water and sewer user fees attributable to a rate increase, and \$630,000 in utility connection charges, the result of the construction of an 84 unit affordable workforce housing project. Local property tax funding amounted to \$7.1 million, a minimal increase of \$75,000 over 2012, while State and county shared tax revenue remained the same. The Town's total expenses were \$18.3 million, an increase of approximately \$741,000, or 4.2%. This increase was primarily due to a \$496,000 increase in public safety, a \$170,000 increase in public works, and a \$135,000 increase in utilities and other proprietary funds.

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities

General revenues for the governmental activities were \$8.4 million, while total expenses, net of charges for services and grants and contributions, were \$9.4 million. The total decrease in net position for governmental activities was \$1.0 million, or 6.4%.

Total revenues from governmental activities increased by \$473,000, and total governmental activities expenses increased by \$606,000. The increase in revenue is primarily the result of a \$151,000 Cops Hiring Recovery Program grant, \$97,000 increase in solid waste revenue, attributable to a rate increase, a \$75,000 increase in local property tax funding, a \$92,000 increase in miscellaneous revenues primarily attributed to forfeitures, and a \$58,000 increase in building permit revenue offset by reductions in other areas.

Of the \$606,000 increase in expenses, \$496,000 is attributable to public safety, primarily negotiated salary and benefit increases for the Elkton Police Department. Additionally, there was an increase of \$170,000 in the department of public works comprised primarily of \$115,000 in street repairs and \$50,000 in regular and overtime salaries. The only significant decrease, \$60,000, was for legal settlements.

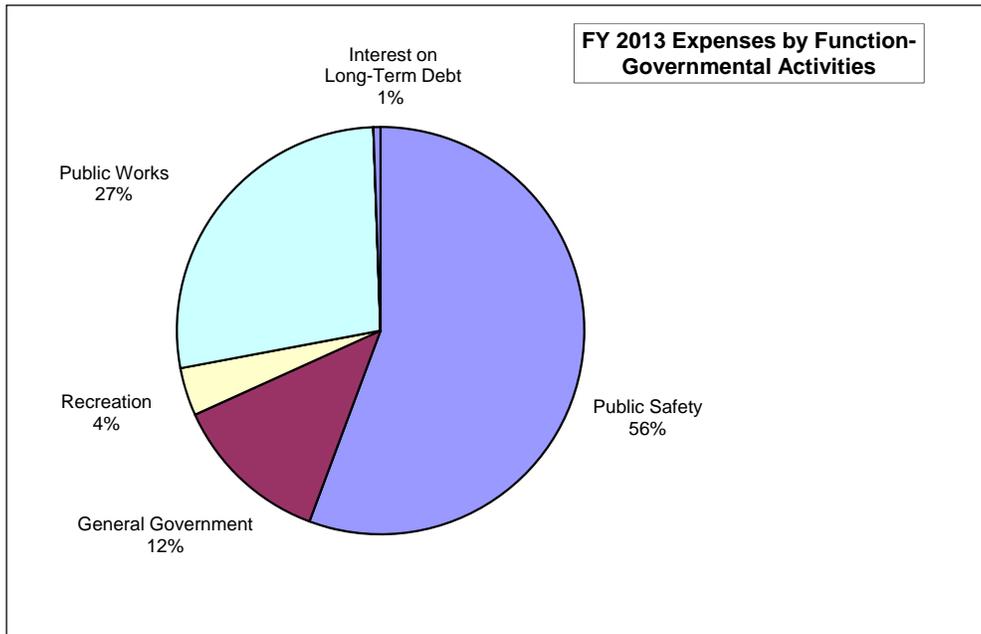
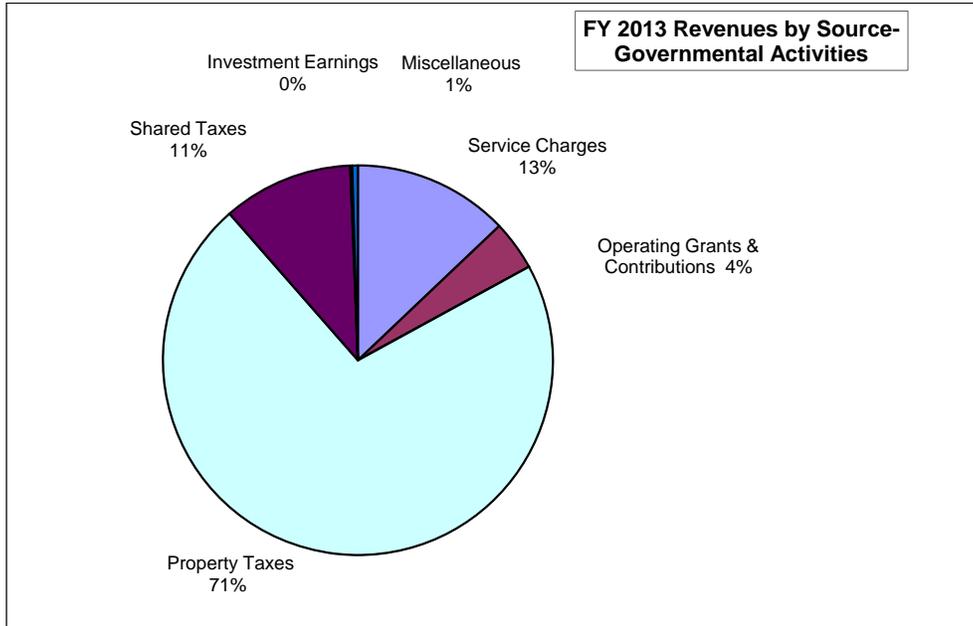
Business-type Activities

The total net position increased by \$1.6 million in business-type activities, or 2.9%. Total revenues for business-type activities increased by \$1.3 million while expenses increased by \$135,000. The key elements include a \$630,000 increase in Major Facility fees, primarily due to the construction of an 84 unit workforce housing project, a \$500,000 increase in charges for services attributable to user fee rate increases in the Water and Sewer Funds of 3% and 5%, respectively, effective January, 2013, and \$244,000 in Bay Restoration fees, the result of the doubling of the State mandated fee.

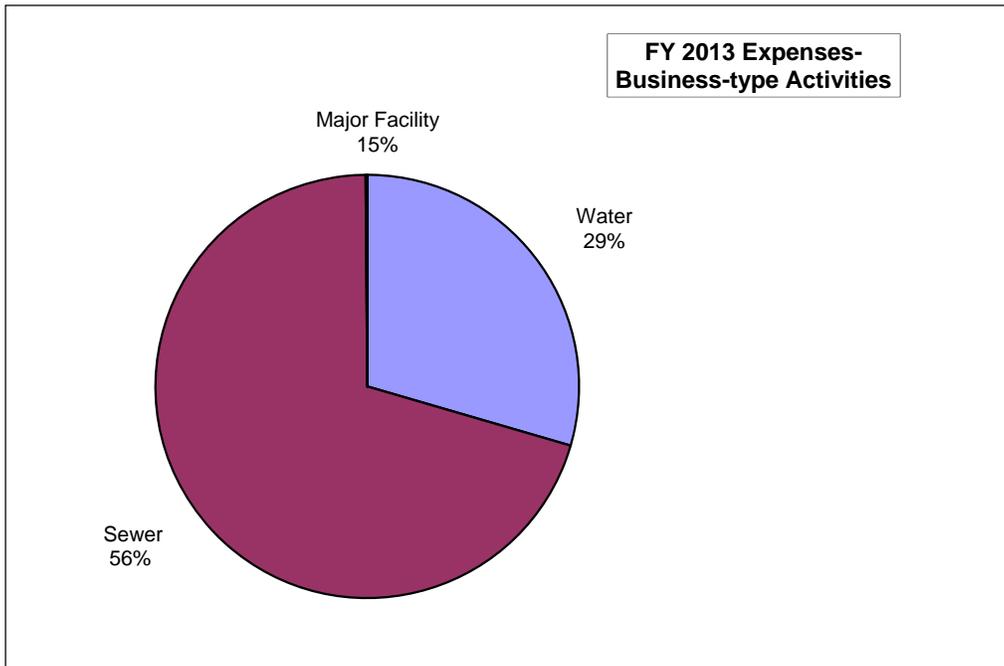
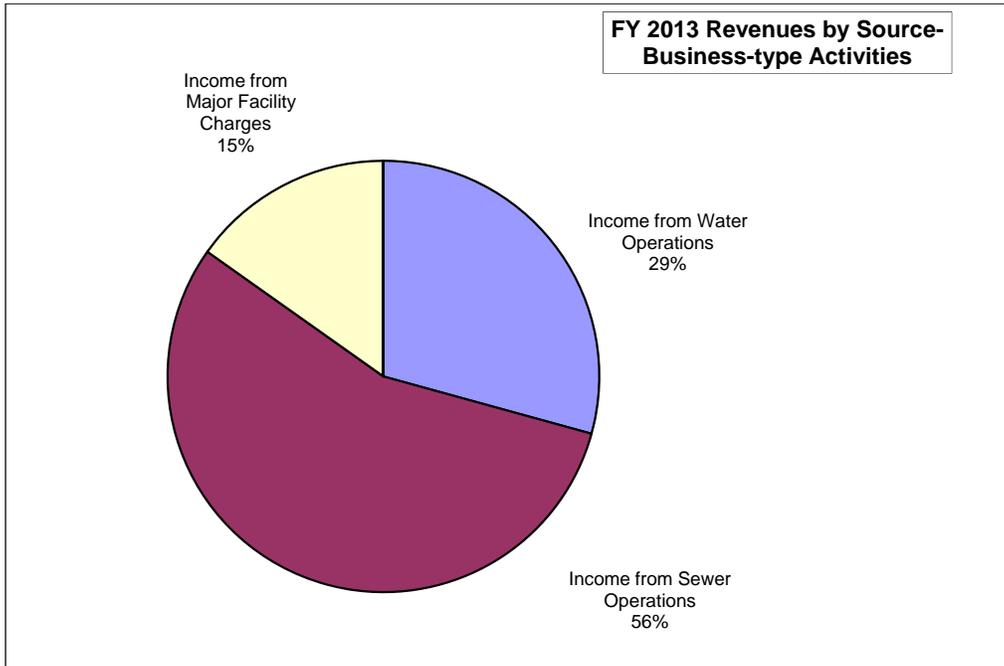
The \$135,000 net increase in expenses was primarily the result of four factors. First, a \$170,000 increase in Bay Restoration fees, again the result of the doubling of the State mandated fee. Second, a \$42,000 increase for contracted services for the operation of the Town's wastewater treatment plant. Third, a \$40,000 decrease in the purchase of supplemental water. And fourth, a \$34,000 decrease in salary and fringe benefit expense in the Water Fund, primarily the result of unfilled positions.

**TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

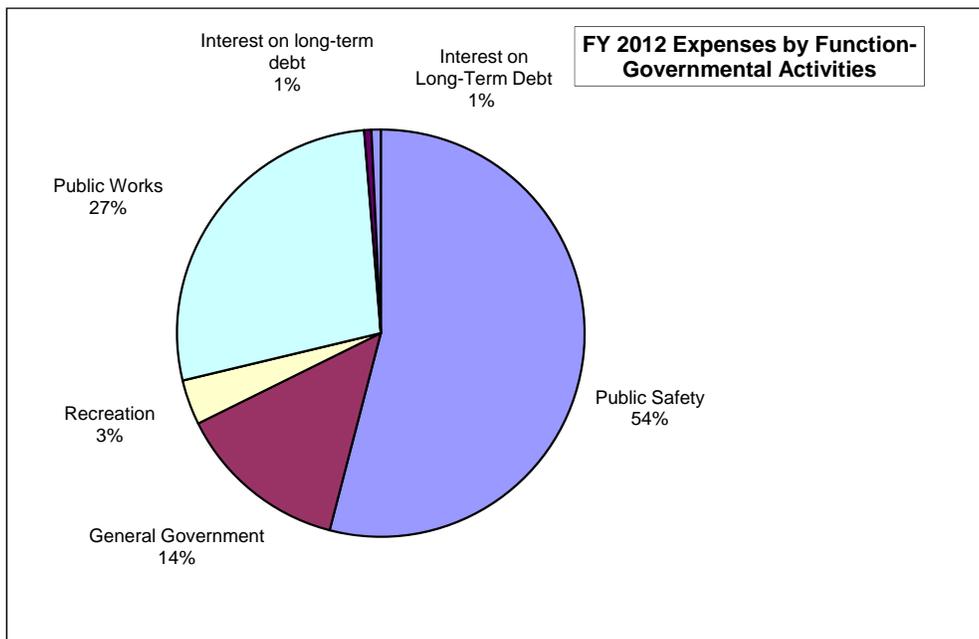
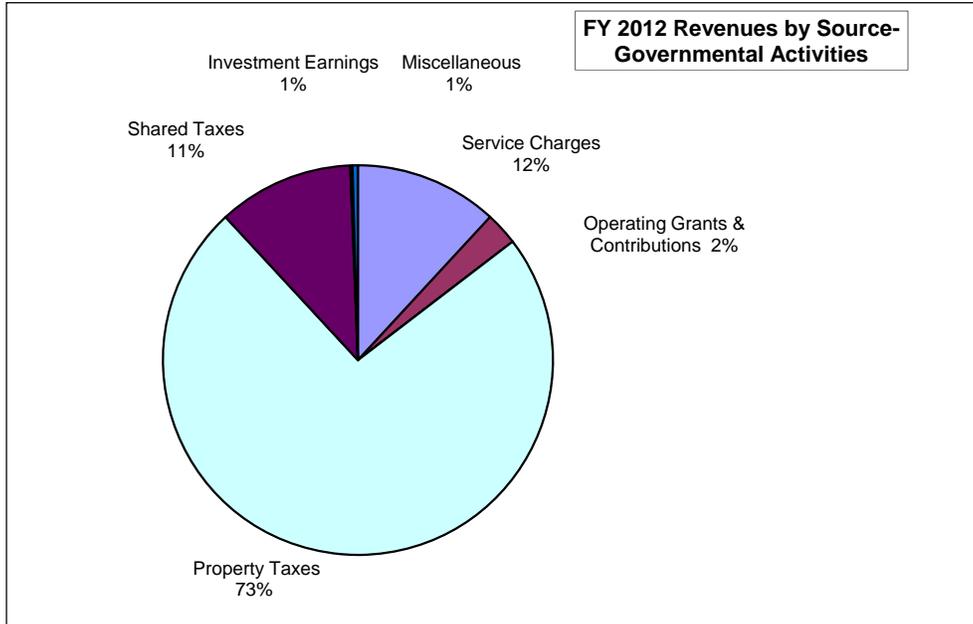
The following is a graphical presentation of the Town's revenues and expenses for the years ending June 30, 2013 and 2012:



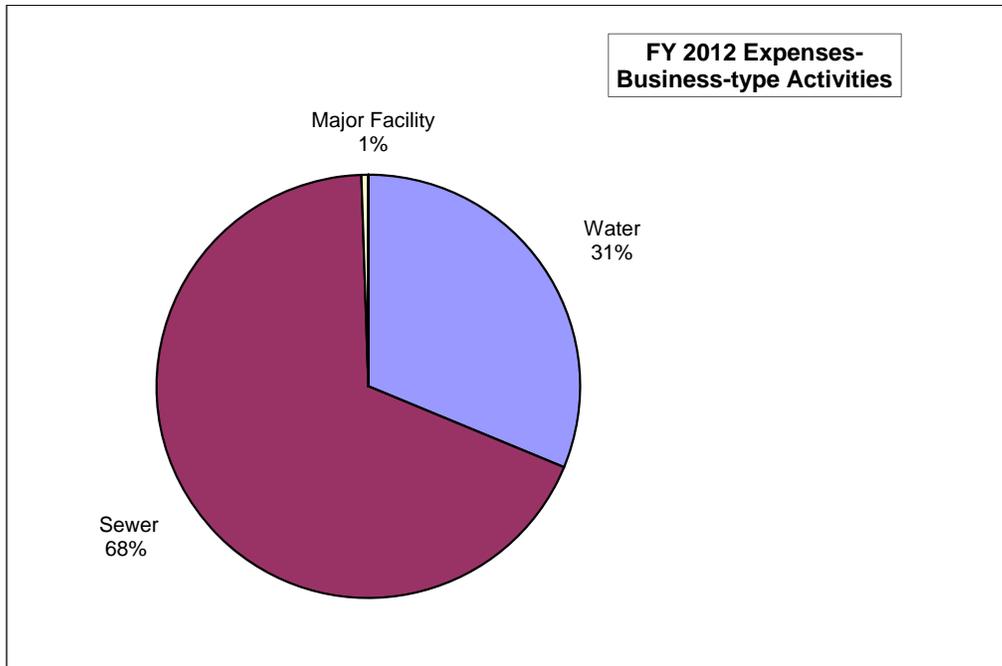
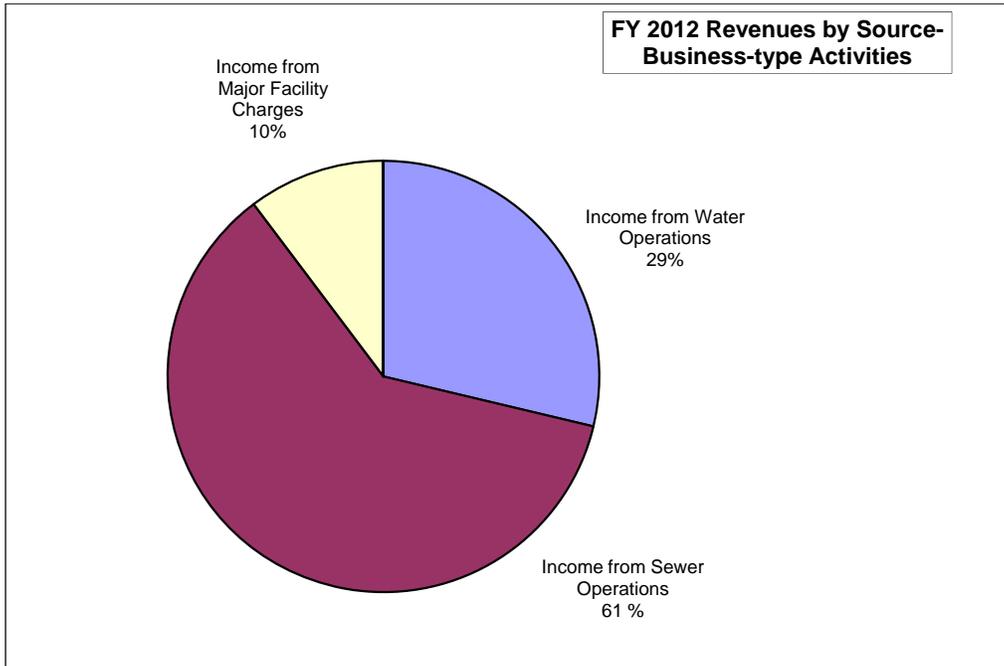
TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013



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The following tables present the costs and program revenues of each of the Town's activities and capital outlays for the years ending June 30, 2013 and 2012, respectively. The tables also show each activity's net cost (total cost less fees generated by the activities and program specific intergovernmental aid). The net cost shows the financial burden placed upon local taxpayers for each of these functions.

Net Cost of Activities
Year Ended June 30, 2013

	<u>Expenses</u>	<u>Revenues</u>	<u>Net Cost</u>
Governmental Activities			
General government	\$ 1,398,465	\$ 297,132	\$ 1,101,333
Public safety	6,177,765	451,865	5,725,900
Public works	3,053,786	772,378	2,281,408
Recreation and culture	425,725	178,209	247,516
Interest on long-term debt	63,693	-	63,693
	<u>11,119,434</u>	<u>1,699,584</u>	<u>9,419,850</u>
Business-type Activities			
Major facility	9,377	1,300,250	(1,290,873)
Water	2,113,851	2,507,773	(393,922)
Sewer	5,039,853	4,756,791	283,062
	<u>7,163,081</u>	<u>8,564,814</u>	<u>(1,401,733)</u>
Total Governmental and Business-type Activities	<u>\$ 18,282,515</u>	<u>\$ 10,264,398</u>	<u>\$ 8,018,117</u>

Net Cost of Activities
Year Ended June 30, 2012

	<u>Expenses</u>	<u>Revenues</u>	<u>Net Cost</u>
Governmental Activities			
General government	\$ 1,434,055	\$ 255,134	\$ 1,178,921
Public safety	5,681,640	341,224	5,340,416
Public works	2,883,683	655,363	2,228,320
Recreation and culture	376,518	148,747	227,771
Interest on long-term debt	77,424	-	77,424
	<u>10,453,320</u>	<u>1,400,468</u>	<u>9,052,852</u>
Business-type Activities			
Major facility	37,059	740,421	(703,362)
Water	2,195,489	2,070,768	124,721
Sewer	4,795,616	4,398,694	396,922
	<u>7,028,164</u>	<u>7,209,883</u>	<u>(181,719)</u>
Total Governmental and Business-type Activities	<u>\$ 17,481,484</u>	<u>\$ 8,610,351</u>	<u>\$ 8,871,133</u>

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The cost of governmental activities this year was \$11.1 million, an increase of \$666,000. There were some large fluctuations within the functions when compared to the prior year expenses. Public safety increased by \$496,000, of this increase \$439,000 was for salary and fringe benefits, of which \$409,000 was attributable to the Elkton Police Department's negotiated salary and benefit increases. Public works increased \$170,000, again the result of salary and fringe benefit increases. Some of the cost of government activities was paid by those who directly benefited from the programs (\$1.3 million) and other governments and organizations that subsidized certain programs with grants and contributions (\$413,000). Taxpayers paid the remaining net cost of services of \$9.4 million.

The total cost of business-type activities this year was \$7.2 million, an increase of \$135,000 due primarily to an increase of \$212,000 in the Sewer Fund. This included a \$170,000 increase in Bay Restoration fees and \$42,000 for the contractual operation of the wastewater treatment plant. The Water Fund costs decreased \$82,000, due to a \$40,000 decrease to the purchase of supplemental water and a \$34,000 decrease in salary and fringe benefits. Additionally, the Major Facility Fund decreased by \$28,000, all for the cost of engineering services. The cost of the activities was primarily paid from service charges and lease agreements. Water Fund revenues exceeded expenses by \$394,000. Sewer Fund expenses exceeded charges for services by \$283,000. The Major Facility Fund shows that charges for services were greater than expenses by \$1.3 million.

Financial Analysis of the Town's Funds

At year-end, the General Fund reported a combined fund balance of \$7.1 million, a decrease from the previous year's \$8.1 million. This \$1,022,000 decrease was the result of budgeting, and using, previously unassigned fund balance.

The Proprietary Funds Net Position increased by \$1.6 million. This was the result of \$1.3 million net revenue in the major facility fund and \$470,000 in the water fund combined with a net expense of \$204,000 in the sewer fund, and investment and miscellaneous revenue of \$159,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$440,000, or 4.5% greater than the final budgeted amount, the result of positive variances of \$165,000 in taxes, \$90,000 in licenses and permits, \$165,000 in miscellaneous revenue, and \$54,000 in intergovernmental revenue, netted against negative variances of \$28,000 in fines and forfeitures and \$4,000 in charges for services.

The positive variance of \$165,000 in taxes is primarily due to positive variances of \$79,000 in local income tax, \$57,000 in business personal property tax, and \$45,000 in hotel/motel taxes, offset by a \$14,000 negative variance in admission and amusement tax. The positive variances in local income tax and business personal property tax are due to the fact that historically, these revenue sources do not lend themselves to accurate forecasting, therefore, they are very conservatively budgeted. The positive variance for hotel/motel taxes is solely due to an increase in reported occupancy, as there was not a rate increase to the tax. The negative variance in admission and amusement tax is attributable to the closure of the only golf course within the Town limits. The total positive variance of \$90,000 in licenses and permits is due to a positive variance of \$51,000 in building permits, led by \$35,000 received for the previously mentioned 84 unit affordable workforce housing project, \$7,000 for major renovations to an existing truck stop at the I-95 Elkton exit, \$6,000 for the 22,000 square foot commercial project at the Upper Chesapeake Corporate Center, and \$35,000 positive variance in cable television franchise fees. The total \$165,000 positive variance in miscellaneous revenue was the result of an increase in forfeitures of \$97,000 and the receipt of unbudgeted rebates of \$32,000 for the medical loss ratio

TOWN OF ELKTON, MARYLAND
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and \$18,000 for workers compensation insurance. Additionally, \$14,000 in unbudgeted revenue was received for the sale of surplus equipment. A \$32,000 FEMA reimbursement for expenses incurred during the cleanup of Hurricane Sandy was the main component of the \$52,000 positive variance in intergovernmental revenue. The negative variance of \$28,000 in fines and forfeitures was due to a decrease in the number of parking enforcement officers from 2 to 1.

Actual expenditures were \$697,000, or 5.7%, less than the final budgeted amount. Each expenditure category had a positive variance. The \$314,000 positive variance in Public Safety was primarily attributable to salary and fringe benefit savings from positions budgeted, but not filled, for extended periods during the fiscal year. A positive variance of \$178,000 in Public Works was also due to salary and fringe benefit savings from budgeted, but not filled, positions. Additionally, the \$127,000 positive variance in General Government was due to unspent legal expenses and lower than budgeted unemployment claims.

During the year, there was a \$605,590 increase in appropriations between the original and final amended budget. The following are the main components of the increase:

- A supplemental appropriation of \$403,500 in the public works department for road restoration.
- A supplemental appropriation in the parks and recreation department of \$114,000 for parks and recreation facility upgrade.
- A supplemental appropriation to recognize revenue of \$24,000 from a Program Open Space Grant for the purpose of providing a dog park in Meadow Park East.
- A supplemental appropriation to recognize revenue of \$15,000 from the forfeiture of seized funds for the funding of consulting services for a police facility needs study.
- A supplemental appropriation to recognize revenue from insurance proceeds for the purpose of rebuilding the damaged Hermitage Drive wall for \$14,520.
- A supplemental appropriation to recognize revenue of \$9,800 from the forfeiture of seized funds for the funding of a human resources needs assessment.

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town of Elkton's capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2013, amounts to \$70.3 million. These capital assets include land, buildings, machinery and equipment (including vehicles), infrastructure (including park facilities, roads, highways and bridges) and construction in progress. The total decrease in the Town's capital assets for the current fiscal year was 1.0%, a 2.1% increase for governmental activities and a 1.5% decrease for business-type activities.

The following table presents capital assets (net of accumulated depreciation) by category for fiscal years ending June 30, 2013 and 2012, respectively:

Town of Elkton's Capital Assets						
(Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,657,608	\$ 2,657,608	\$ 865,270	\$ 865,270	\$ 3,522,878	\$ 3,522,878
Other improvements	2,709,124	2,545,804	-	-	2,709,124	2,545,804
Buildings	4,020,742	4,198,989	-	-	4,020,742	4,198,989
Plants, mains & other improvements	-	-	57,333,475	58,766,575	57,333,475	58,766,575
Equipment	720,925	622,577	697,071	659,313	1,417,996	1,281,890
Construction-in-progress	<u>180,748</u>	<u>55,079</u>	<u>1,099,621</u>	<u>639,049</u>	<u>1,280,369</u>	<u>694,128</u>
Total	<u>\$ 10,289,147</u>	<u>\$ 10,080,057</u>	<u>\$ 59,995,437</u>	<u>\$ 60,930,207</u>	<u>\$ 70,284,584</u>	<u>\$ 71,010,264</u>

Major capital asset events during the fiscal year ending June 30, 2013 included the following:

In the Town's governmental activities:

- Road Restoration Project 2012-05 cost \$433,212.
- Vehicles and equipment purchased for the police department cost \$257,168.
- Equipment purchased for public works cost \$53,520.
- Engineering and design for a community recreation center building cost \$120,894.
- \$29,950 was spent on stormwater management upgrade at the Jones Chapel Nature Center.
- Depreciation expense was \$742,073 for the year.

**TOWN OF ELKTON, MARYLAND
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June 30, 2013**

In the Town's business-type activities:

- Engineering and construction costs for the upgrade to the Warner Road/Muddy Lane sanitary sewer pump stations were \$266,918.
- \$128,760 was spent for engineering and testing to develop two additional groundwater sources.
- A replacement generator at the wastewater treatment plant cost \$93,290.
- \$76,545 was spent for the installation of a high service pump upgrade at the water plant.
- A new digital radio system cost \$23,416.
- Engineering services for an upgrade to the Chapel Run force main cost \$99,593.
- Depreciation expense was \$1,685,052 for the year.

Additional information on the Town's capital assets can be found in Note 6 on pages 52-53 of this report.

Long-term Debt

At the end of the current fiscal year, the Town of Elkton had \$17,996,888 in outstanding loans, compared to \$19,036,833 last year. The following chart compares the level of long-term debt for fiscal years 2013 and 2012, respectively:

Town of Elkton's Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Loans	<u>\$ 1,873,180</u>	<u>\$ 1,846,767</u>	<u>\$ 16,123,708</u>	<u>\$ 17,190,066</u>	<u>\$ 17,996,888</u>	<u>\$ 19,036,833</u>

The Town of Elkton's total debt decreased by \$1,039,945 during the current fiscal year. In compliance with debt amortization schedules, the Town made total debt repayments in Governmental Activities of \$269,587 and in Business-type Activities \$1,066,358. The Town incurred new debt of \$296,000 in Governmental Activities during fiscal year 2013 for the purchase of nine new vehicles.

Additional information on the Town's long-term debt can be found in Note 7 on pages 54-56 of this report.

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Town is required, by Charter, to have a balanced budget each fiscal year and has always complied with this requirement. Annually, the Town develops and updates financial models for all of its major funds, which enables the Town to evaluate both short and long-term implications of proposed operational and capital decisions regarding Town finances.
- The fiscal year 2014 budget for the Town's only governmental fund, the General Fund, was adopted at \$508,970 less than the fiscal year 2013 final budget.
- For fiscal year 2014, the Town adopted \$0.5856 per \$100.00 of assessed value as the real property tax rate, \$0.0615 above the constant yield tax rate, generating an additional \$664,000 in revenue.
- The water and sewer rates were unchanged for the start of fiscal year 20134, however, they were increased by 3% and 4%, respectively, effective January, 20134. These increases were the result of an October, 2011 formal rate study.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Department, ATTENTION: Finance Director, at 100 Railroad Avenue, Elkton, Maryland 21921, telephone 410.398.4170.

TOWN OF ELKTON, MARYLAND
STATEMENT OF NET POSITION
June 30, 2013

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,571,420	\$ 11,426,912	\$ 17,998,332
Accounts receivable, net	668,453	1,717,498	2,385,951
Other assets	152,027	-	152,027
Internal balances	423,840	(423,840)	-
Due from other governments	293,191	-	293,191
Non-current assets:			
Net pension asset	54,421	-	54,421
Capital assets, not being depreciated	2,838,356	1,964,891	4,803,247
Capital assets being depreciated, net of accumulated depreciation	7,450,791	58,030,546	65,481,337
Total position	<u>18,452,499</u>	<u>72,716,007</u>	<u>91,168,506</u>
LIABILITIES			
Current liabilities:			
Accounts payable	400,375	712,083	1,112,458
Accrued liabilities	208,999	93,741	302,740
Other liabilities	-	29,610	29,610
Non-current liabilities:			
Due within one year	397,177	1,088,762	1,485,939
Due in more than one year	2,109,402	15,153,105	17,262,507
Total liabilities	<u>3,115,953</u>	<u>17,077,301</u>	<u>20,193,254</u>
NET POSITION			
Net investment in capital assets	8,415,967	43,871,729	52,287,696
Restricted - Highways	1,144,088	-	1,144,088
Restricted - Sized funds	148,987	-	148,987
Restricted - Recreation and culture	186,831	-	186,831
Unrestricted	5,440,673	11,766,977	17,207,650
TOTAL NET POSITION	<u>\$ 15,336,546</u>	<u>\$ 55,638,706</u>	<u>\$ 70,975,252</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ELKTON, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
June 30, 2013

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 1,398,465	\$ 294,186	\$ 2,946	\$ -	\$ (1,101,333)	\$ -	\$ (1,101,333)
Public safety	6,177,765	74,524	377,341	-	(5,725,900)	-	(5,725,900)
Public works	3,053,786	740,035	32,343	-	(2,281,408)	-	(2,281,408)
Recreation and culture	425,725	178,109	100	-	(247,516)	-	(247,516)
Interest on long-term debt	63,693	-	-	-	(63,693)	-	(63,693)
Total governmental activities	11,119,434	1,286,854	412,730	-	(9,419,850)	-	(9,419,850)
Business-type activities							
Major facility	9,377	1,300,250	-	-	-	1,290,873	1,290,873
Water	2,113,851	2,507,773	-	-	-	393,922	393,922
Sewer	5,039,853	4,701,891	-	54,900	-	(283,062)	(283,062)
Total business-type activities	7,163,081	8,509,914	-	54,900	-	1,401,733	1,401,733
TOTAL PRIMARY GOVERNMENT	\$ 18,282,515	\$ 9,796,768	\$ 412,730	\$ 54,900	(9,419,850)	1,401,733	(8,018,117)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					7,135,947	-	7,135,947
Shared taxes					1,078,655	-	1,078,655
Investment earnings					15,654	14,313	29,967
Miscellaneous					\$ 145,230	144,800	290,030
Total general revenues					8,375,486	159,113	8,534,599
CHANGE IN NET POSITION					(1,044,364)	1,560,846	516,482
NET POSITION - BEGINNING OF YEAR					16,380,910	54,077,860	70,458,770
NET POSITION - END OF YEAR					\$ 15,336,546	\$ 55,638,706	\$ 70,975,252

The accompanying notes are an integral part of the financial statements.

TOWN OF ELKTON, MARYLAND
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2013

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 6,571,420
Receivables, net	668,453
Other assets	152,027
Due from other governments	293,191
Due from other funds	<u>609,315</u>
TOTAL ASSETS	<u>\$ 8,294,406</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 400,375
Accrued liabilities	203,426
Due to other funds	185,475
Deferred revenue	<u>446,380</u>
Total liabilities	<u>1,235,656</u>
Fund Balances	
Restricted	1,479,906
Committed	500,000
Assigned	960,103
Unassigned	<u>4,118,741</u>
Total fund balances	<u>7,058,750</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,294,406</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF ELKTON, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2013**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 7,058,750

**Amounts reported for governmental activities in the Statement of Net Position
are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$27,846,363, and the accumulated depreciation is \$17,557,216. 10,289,147

Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. (2,506,579)

Accrued interest is not recorded in the governmental funds (5,573)

Net pension asset, which is included in governmental activities in the statement of net position, but is not a financial in the funds. 54,421

Certain receivables are offset by deferred revenue in the governmental funds since they are not available to pay for current-period expenditures. This is the amount of deferred revenue related to these receivables. 446,380

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 15,336,546

The accompanying notes are an integral part of the financial statements.

TOWN OF ELKTON, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	<u>General Fund</u>
REVENUES	
Taxes and utility fees	\$ 8,072,486
Licenses and permits	363,019
Fines and forfeitures	31,010
Investment revenues	15,654
Charges for services	805,637
Intergovernmental	752,544
Miscellaneous	<u>201,686</u>
Total revenues	<u>10,242,036</u>
EXPENDITURES	
Current operations:	
General government	1,337,619
Public safety	6,119,357
Public works	3,270,846
Recreation and culture	499,351
Debt service:	
Principal	269,587
Interest	<u>63,615</u>
Total expenditures	<u>11,560,375</u>
Deficiency of revenues over expenditures	<u>(1,318,339)</u>
OTHER FINANCING SOURCES	
Loan proceeds	<u>296,000</u>
NET CHANGE IN FUND BALANCE	(1,022,339)
FUND BALANCES - BEGINNING OF YEAR	<u>8,081,089</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,058,750</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ELKTON, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
June 30, 2013

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,022,339)

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 is allocated over their estimated lives as depreciation expense. This is the amount by which depreciation expense (\$742,073) exceeds capital outlay (\$951,163).	209,090
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This amount represents the net increase in compensated absences liability.	(40,110)
Long-term debt repayments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of long-term debt repayments during 2013.	269,587
Long-term debt proceeds are a revenue in the governmental funds, but the proceeds increase long-term liabilities in the Statement of Net Position. This is the amount of long-term debt proceeds during 2013.	(296,000)
Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net decrease in accrued interest.	(78)
Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenditures. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net increase in "unavailable" revenues at the end of the year over the amount at the beginning of the year.	(110,610)
OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.	(69,071)
Overpayment of the annual required pension contribution resulted in an increase of the net pension asset which is reported in the Statement of Activities.	<u>15,167</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,044,364)

The accompanying notes are an integral part of the financial statements.

TOWN OF ELKTON, MARYLAND
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2013

	Business-type Activities - Enterprise Funds			
	Major Facility	Water	Sewer	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,304,784	\$ 870,513	\$ 6,251,615	\$ 11,426,912
Receivables, net	215,270	539,123	963,105	1,717,498
Due from other funds	1,372,696	645,874	-	2,018,570
Total current assets	5,892,750	2,055,510	7,214,720	15,162,980
Non-current assets:				
Capital assets, net	-	7,096,808	52,898,629	59,995,437
Total assets	5,892,750	9,152,318	60,113,349	75,158,417
LIABILITIES				
Current liabilities:				
Accounts payable	212,490	100,574	399,019	712,083
Accrued expenses	-	14,363	79,378	93,741
Other liabilities	-	-	29,610	29,610
Due to other funds	217,495	-	2,224,915	2,442,410
Due within one year	-	6,926	1,081,836	1,088,762
Total current liabilities	429,985	121,863	3,814,758	4,366,606
Non-current liabilities:				
Due in more than one year	-	45,774	15,107,331	15,153,105
Total liabilities	429,985	167,637	18,922,089	19,519,711
NET POSITION				
Net investment in capital assets	-	7,096,808	36,774,921	43,871,729
Unrestricted	5,462,765	1,887,873	4,416,339	11,766,977
TOTAL NET POSITION	\$ 5,462,765	\$ 8,984,681	\$ 41,191,260	\$ 55,638,706

The accompanying notes are an integral part of the financial statements.

TOWN OF ELKTON, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds			
	Major Facility	Water	Sewer	Total
OPERATING REVENUES				
Charges for services	\$ 1,300,250	\$ 2,507,773	\$ 4,701,891	\$ 8,509,914
Other operating revenues	-	5,630	-	5,630
Miscellaneous	-	70,119	69,051	139,170
Total operating revenues	<u>1,300,250</u>	<u>2,583,522</u>	<u>4,770,942</u>	<u>8,654,714</u>
OPERATING EXPENSES				
Cost of service	9,377	1,849,488	3,467,343	5,326,208
Depreciation	-	264,363	1,420,689	1,685,052
Total operating expenses	<u>9,377</u>	<u>2,113,851</u>	<u>4,888,032</u>	<u>7,011,260</u>
Operating income (loss)	<u>1,290,873</u>	<u>469,671</u>	<u>(117,090)</u>	<u>1,643,454</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment earnings	3,756	677	9,880	14,313
Interest expense	-	-	(151,821)	(151,821)
Total non-operating revenues (expenses)	<u>3,756</u>	<u>677</u>	<u>(141,941)</u>	<u>(137,508)</u>
Income before transfers and capital contributions	1,294,629	470,348	(259,031)	1,505,946
Capital contributions - grants	-	-	54,900	54,900
Transfers in (out)	<u>(694,439)</u>	<u>234,639</u>	<u>459,800</u>	<u>-</u>
CHANGES IN FUND NET POSITION	600,190	704,987	255,669	1,560,846
TOTAL NET POSITION - BEGINNING OF YEAR	<u>4,862,575</u>	<u>8,279,694</u>	<u>40,935,591</u>	<u>54,077,860</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 5,462,765</u>	<u>\$ 8,984,681</u>	<u>\$ 41,191,260</u>	<u>\$ 55,638,706</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ELKTON, MARYLAND
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds			
	Major Facility	Water	Sewer	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,311,105	\$ 2,574,678	\$ 4,729,670	\$ 8,615,453
Payments to suppliers	193,534	(1,640,301)	(2,902,206)	(4,348,973)
Payments to employees	-	(375,945)	(546,758)	(922,703)
Net cash provided by operating activities	<u>1,504,639</u>	<u>558,432</u>	<u>1,280,706</u>	<u>3,343,777</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
(Advances) receipts from other funds	(694,439)	234,639	459,800	-
Proceeds from grants	70,122	-	54,900	125,022
Interest paid on capital debt	-	-	(151,821)	(151,821)
Acquisition and construction of capital assets	-	(256,368)	(493,914)	(750,282)
Principal payments of loans	-	-	(1,066,358)	(1,066,358)
Net cash used in capital and related financing activities	<u>(624,317)</u>	<u>(21,729)</u>	<u>(1,197,393)</u>	<u>(1,843,439)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from investment earnings	<u>3,756</u>	<u>677</u>	<u>9,880</u>	<u>14,313</u>
Net cash provided by investing activities	<u>3,756</u>	<u>677</u>	<u>9,880</u>	<u>14,313</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	884,078	537,380	93,193	1,514,651
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,420,706</u>	<u>333,133</u>	<u>6,158,422</u>	<u>9,912,261</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,304,784</u>	<u>\$ 870,513</u>	<u>\$ 6,251,615</u>	<u>\$ 11,426,912</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,290,873	\$ 469,671	\$ (117,090)	\$ 1,643,454
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	-	264,363	1,420,689	1,685,052
Effects of changes in operating assets and liabilities:				
Accounts receivable	10,855	(8,844)	(41,272)	(39,261)
Accounts payable	176,193	34,429	259,151	469,773
Accrued Expenses	-	14,363	21,762	36,125
Other liabilities	-	-	6,491	6,491
Interfund receivables (advances)	26,718	(225,123)	(280,198)	(478,603)
Compensated absences liability	-	3,171	3,807	6,978
Accrued liability for OPEB benefits	-	6,402	7,366	13,768
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,504,639</u>	<u>\$ 558,432</u>	<u>\$ 1,280,706</u>	<u>\$ 3,343,777</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ELKTON, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
June 30, 2013

	<u>Total Pension Trusts</u>
ASSETS	
Cash Equivalents	\$ 1,582,995
Investments	
Equity mutual funds	1,973,856
Fixed income mutual funds	<u>1,511,488</u>
Total Investments	<u>3,485,344</u>
TOTAL ASSETS	<u><u>\$ 5,068,339</u></u>
NET POSITION	
Held in trust for pension benefits	<u><u>\$ 5,068,339</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ELKTON, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2013

	Total Pension Trusts
ADDITIONS	
Employer contributions	\$ 558,755
Employee contributions	192,111
Investment gains	314,111
Total additions	1,064,977
 DEDUCTIONS	
Benefit payments	50,637
Administrative fees	2,773
Total deductions	53,410
 CHANGE IN NET POSITION	 1,011,567
 NET POSITION - BEGINNING OF YEAR	 4,056,772
 NET POSITION - END OF YEAR	 \$ 5,068,339

The accompanying notes are an integral part of the financial statements.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Elkton (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below. These policies should be recognized by the reader as integral to the preparation and use of the accompanying basic financial statements.

Reporting Entity

The Town of Elkton, Maryland was incorporated in 1787 with its legal authority derived from Chapter 310, Section 2 of the Annotated Code of Maryland. The Town is to be construed to mean both the Town and its inhabitants. Since inception, the Town has operated under the Mayor - Council form of government. Services provided include safety, highways and streets, sanitation, recreation, public improvement, planning and zoning, water and sewer and general administrative services.

For financial reporting purposes, in conformance with GAAP, the reporting entity includes the Mayor and Town Council, the primary government and the following fiduciary funds:

Town of Elkton, Defined Contribution Plan: This pension plan is a defined contribution pension plan established by the Town of Elkton to provide benefits at retirement to employees of the Town Council, who are not eligible to participate in the Police Pension Plan.

Town of Elkton, Police Pension Plan: This pension plan is a defined benefit pension plan established by the Town of Elkton to provide benefits at retirement to sworn officers of the Town Council.

The Town evaluates whether there are any entities that should be reported as a component unit under GASB Statement Nos. 39 and 61. The Town has concluded there are no component units as defined by GAAP.

Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Changes in Net Position report information on all of the non-fiduciary activities of the Town. Eliminations have been made to remove the effect of inter-fund activity from these statements. Governmental activities are those which are supported by taxes and intergovernmental revenues, whereas business-type activities are those supported through customer service charges. The Town has three business-type funds: major facility, water and sewer.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those specifically associated with a program or function. Program revenues include charges for services and grants and contributions restricted to the capital or operational requirements of specific programs or functions. Revenues that are not classified as program revenues, such as taxes, are reported as general revenues.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are shown for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting is determined by its measurement focus. Government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized in the year of levy and grants are recognized when all eligibility requirements are met. For pension trust funds, employee and employer contributions are recognized as revenues in the period in which employee services are performed. All governmental, business-type activities and enterprise funds of the Town follow GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance* contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements which incorporates into GASB authoritative literature certain accounting and financial reporting guidance previously included in FASB, AICPA, and Accounting Principles Board Opinions (APB), guidance issued before November 30, 1989. The Town also has the option to follow subsequent private-sector guidance for its business-type activities and proprietary funds with certain limitations, but has elected not to do so.

Governmental fund statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of the transaction that can be determined, and available means collected within 60 days of the year-end. Expenditures are recorded when the related liability is incurred as in the accrual basis of accounting. However, principal and interest on long-term debt and expenditures for compensated absences are recorded when the payments are due.

Those revenues susceptible to accrual are property taxes, taxes collected by the State and County on behalf of the Town, franchise taxes, revenues from other agencies, interest revenue and charges for services. Fines and forfeitures, licenses, permits, penalties and interest (on property taxes) and other revenues become measurable and available when cash is received by the Town and are recognized as revenue at that time.

The Town has one major governmental fund, the General Fund. It is used to account for all activities of the government not accounted for in another fund. The General Fund accounts for the normal recurring activities of the Town which include general government, public safety, public works, and recreation and culture. These activities are financed primarily by property taxes, other taxes, service charges and grants from other governmental units. The Town does not have any other governmental funds.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and delivering goods in connection with the fund's principal ongoing operations such as charges to customers for sales and services and expenses such as salaries, product costs, administrative expenses, and depreciation.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town has three major proprietary funds. The Water Fund operates the water treatment plants and distribution system. The Sewer Fund operates the sewage treatment plant, pumping stations and collection system. The Major Facility Fund accounts for the capital activities of the Water and Sewer Funds.

The Town has two pension trust funds, the Town of Elkton Defined Contribution Plan and the Town of Elkton Police Pension Plan. As fiduciary funds, these pension funds are used to account for assets held on behalf of outside parties under the terms of a formal trust agreement.

The effect of interfund activity has been eliminated from the government-wide financial statements except for charges between the Water, Sewer, and Major Facility Fund and the General Fund for direct services. Elimination of these charges would distort the direct costs and program revenues reported for the various services. Amounts reported as program revenues include charges to customers for goods and services, operating grants and contributions, and capital grants. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

The Town follows the accounting and reporting standards as outlined in the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements affect the manner in which the Town records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare the private-sector financial reports.

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

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities and Net Position or Equity

Equity in Pooled Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date of three months or less at the time of purchase. Cash deposits of the Town are made in accordance with the Annotated Code of Maryland (the Code), which requires depositories to give security in the form of collateral as provided for in the Code, for the safekeeping and forthcoming, when required, of these deposits.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (CONTINUED)

Excess funds are also permitted to be invested either in bonds or other obligations for the payment of principal and interest, of which, the full faith and credit of the United States of America are pledged, obligations of Federal government agencies issued pursuant to acts of Congress, or in the local government investment pool created by the State of Maryland.

For the purposes of the Statement of Cash Flows, the Town considers all highly-liquid investments (including restricted assets) with an original maturity date of three-months or less at the time of purchase to be cash equivalents. Cash resources of each of the individual funds, except the pension funds and cash held by fiscal agents or required to be segregated by law or policy, are combined to form a pool of cash and investments to maximize interest earnings. Income from pooled investments is allocated to funds on the basis of their equity in pooled cash.

Receivables

Property taxes are reported at their estimated realizable value. The following summarizes the property tax calendar:

	Real Property	Personal and Corporate
Assessment roll validated	Dec. 31	Jan. 1
Tax rate ordinance approved	June 1	June 30
Beginning of fiscal year for which taxes have been levied	July 1	July 1
Tax bills rendered and due	July 1—on County bill	Various
Owner-occupied residential	July 1 and Jan. 1	N/A
Property taxes payable:		
Delinquent	Oct. 1, Feb. 1	After 90 days
Terms	60 days	90 days
Delinquent interest rate (annual)	18%	18%

Information presented is for “full year” levy. “Half year” levy dates are each six months later, and relate to new construction in the first six months of the fiscal year. A lien is attached to property on the billing date, becomes delinquent October 1, and is sold at tax sale by the end of 18 months.

Proprietary fund receivables are recorded as revenue when earned. The receivables of proprietary funds include billing for residential and commercial customers utilizing the Town’s water and sewer services. For fiscal year 2013, the Town’s water and sewer system customer base included a total of 6,708 water and 6,546 sewer accounts. All customers are billed on a quarterly basis with payment due in full within thirty days from the date of the billing. Delinquent accounts are subject to disconnection in addition to a \$25.00 service charge. Water and sewer rates are set by ordinance passed by the Mayor and Commissioners of the Town when deemed necessary.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (Continued)

Receivables (continued)

Allowances for uncollectible accounts are maintained on all types of receivables that historically experience bad debt. The allowance is determined by management based on historical collection trends. Receivables are shown net of such an allowance for uncollectibles. Real property taxes are generally fully collectible.

Capital Assets

Capital assets, which include property, plant and equipment and infrastructure such as roads, storm drains and pipe systems, are reported in the governmental activities or business-type activities columns in the government-wide financial statements. The Town defines capital assets as those which have an individual acquisition cost or donated value of at least \$1,000, and an estimated useful life of at least one year. Such assets are valued at historical or estimated historical cost if actual is not available. Donated assets are stated at their donated value at the date of donation. The cost of normal maintenance and repairs that do not add value or extend asset lives are not capitalized. Land is determined to have an inexhaustible life and is not subject to depreciation.

Expenditures for major assets and improvements are capitalized as the assets are acquired or constructed. Interest on debt during the construction period is capitalized. Exhaustible capital assets are depreciated, which is charged as an expense against their operations. Accumulated depreciation is reported in the Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method.

Estimated useful lives are as follows:

Category	Years
Building	20 – 50
Plant, mains and improvements, and improvements other than buildings	10 – 75
Equipment	3 – 10

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. In the governmental fund financial statements, the face amount of newly issued debt is reported as other financing sources, and the amount of principal repayment is reported as an expenditure.

Other Post-Employment Benefits (OPEB) – The Town provides health care benefits to retired employees and eligible retiree’s spouses. See Note 10 for a full description of the benefits. There has been no OPEB Trust established as of June 30, 2013.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Fund Balance (Continued)

Compensated Absences

Vested or accumulated vacation of governmental funds is accrued when earned by employees and an expense and liability are recorded in governmental activities on the government-wide financial statements. Vested or accumulated vacation of business-type funds is recorded as an expense and a liability of the fund that will pay it. No liability is recorded for non-vesting accumulated rights to receive sick pay benefits as the Town does not pay these amounts when employees separate from service.

Town ordinance provides that full-time employees may accumulate up to a maximum of twenty-four (24) days annual leave based upon years of service, and upon termination will be paid for all accumulated leave not to exceed that amount. The accrual is included in "Non-current liabilities" in the government-wide statements, and is \$363,599 with \$109,080 due within one year. A liability for vacation pay is recorded in the governmental fund financial statements only if it has matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement).

Deferred Inflows and Outflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period. For government-mandated and voluntary non-exchange transactions, a deferred inflow is reported when resources are received before time requirements are met. A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. At June 30, 2013, the Town had no items that should be recognized as deferred inflows or deferred outflows of resources.

Net Position Reporting

The government-wide and proprietary fund type financial statements utilize a net position presentation. Net position is the difference between assets and deferred outflows less liabilities and deferred inflows. Net position is categorized as net investment in capital assets, restricted and unrestricted, and are further described as follows:

- *Net investment in capital assets* - This category groups all capital assets including infrastructure into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted net position* - This category presents the balance of net position for which external restrictions are imposed by creditors, grantors or laws and regulations of other governments.
- *Unrestricted net position* - This category presents the net position of the Town not included elsewhere.

Fund Balance Reporting

The Board has adopted the requirements of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The fund balance categories and descriptions are as follows:

1. Non-spendable – amounts that cannot be spent because they are either not in spendable form or they are legally required to be maintained intact such as inventory, prepaid expenses, or other assets.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Fund Balance (Continued)

Fund Balance Reporting (continued)

2. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. Committed – amounts that can only be used for specific purposes determined by a formal action of the Commissioners, who are the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through resolutions approved by the Commissioners.
4. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes determined by a formal action of the Commissioners such as adopting the annual budget.
5. Unassigned – all other spendable amounts.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed. Furthermore, the Town will apply expenditures against committed, then assigned, and then unassigned fund balances.

Governmental Accounting Standards Board (GASB) Pronouncements

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and defined the residual of assets and deferred outflows less liabilities and deferred inflows as net position. The Town has implemented the effects of this Statement for the reporting period ending June 30, 2013. The effect of this Statement on the Town was a change in the format of the entity wide and enterprise fund statements to include the concept of net position.

Upcoming Accounting Pronouncements

GASB has issued the following Statements which will become effective in future years as shown below. Management has not yet determined the impact of these statements on the Library's financial statements.

- Statement No. 65; *Items Previously Reported as Assets and Liabilities* – This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement will become effective for the June 30, 2014 year-end. The Town is currently evaluating the effect of implementation of this Statement.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

- Statement No. 66; *Technical Corrections-2012 — an amendment of GASB Statements No. 10 and No. 62* – The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54; *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62; *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement will become effective for the June 30, 2014 year-end. The Town is currently evaluating the effect of implementation of this Statement.
- Statement No. 67; *Financial Reporting for Pension Plans- an amendment of GASB Statement No. 25*–The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement will become effective for the June 30, 2014 year-end. The Town is currently evaluating the effect of implementation of this Statement.
- Statement No. 68; *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*– The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pensions in which they are involved. This Statement will become effective for the June 30, 2015 year-end. The Town is currently evaluating the effect of implementation of this Statement.
- Statement No. 69; *Government Combinations and Disposals of Government Operations* – This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement will become effective for the June 30, 2015 year-end. The Town is currently evaluating the effect of implementation of this Statement.
- Statement No. 70; *Accounting and Financial Reporting for Nonexchange Financial Guarantees* – This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more-likely-than-not that the government will be required to make a payment on the guarantee. This Statement will become effective for the June 30, 2014 year-end. The Town is currently evaluating the effect of implementation of this Statement.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

Deposits

At year-end, the carrying amount of the Town deposits (excluding petty cash of \$150) was \$17,998,177, and the bank balance was \$18,272,711. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town follows the State mandated deposit policy for custodial credit risk requiring all deposits to be collateralized for amounts in excess of FDIC limits, with collateral whose market value is equal to at least 102% of the deposits. The deposits of the Town were not exposed to custodial credit risk at June 30, 2013.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Investments

At June 30, 2013, the Town’s investment balances by type, rating, and maturity were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Standard & Poor's</u>	<u>Average Maturity (Years)*</u>
Equity mutual funds	\$ 1,632,788	N/A	N.A
Fixed income mutual funds:			
American Centuries Govt. Bond Inv.	12,590	AAA	5
Dreyfus Intermediate Term Inc. A	65,145	A	5.26
Federated Bond F	10,656	BB	5.50
Neuberger Short Duration Bond Tr	9,562	BBB	1.68
Nationwide Govt. Bond Instl. Svc.	57,791	AAA	4.75
Nationwide Fixed Account	1,355,744	N/A	N/A
Money market funds	1,272,598	AAA	Less than 1
Maryland Local Govt. Investment Pool	<u>651,620</u>	AAAm	Less than 1
Total	<u>\$ 5,068,494</u>		

* Amount represents the average maturity of the underlying investments.

Reconciliation of cash and cash equivalents as shown on the Statement of Net Position:

Carrying amount of deposits	\$ 17,998,177
Carrying amount of investments	<u>5,068,494</u>
Total cash and investments	23,066,671
Less amounts in fiduciary funds	<u>5,068,339</u>
Total cash and cash equivalents per Statement of Net Assets	<u>\$ 17,998,332</u>

Interest Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Town’s exposure to fair value losses arising from increasing interest rates, the Town’s investment policy limits the term of average maturities to remain sufficiently liquid to enable the Town to meet all operating requirements which might be reasonably anticipated. In the fiduciary funds, mutual funds are used to match the cash flow of liabilities. Town management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Town from having to sell investments below original cost for that purpose. The investments at June 30, 2013, met the Town investment policy as of that date.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Credit Risk

Town investment policy permits investments in the following types of investments as authorized by the State of Maryland: U.S. treasury obligations, U.S. agency obligations, repurchase agreements under a master repurchase agreement, certificates of deposit which are collateralized through a Maryland commercial bank, and the Maryland Local Government Investment Pool (MLGIP). The MLGIP was established in 1982 under Article 95, Section 22G of the Annotated Code of Maryland, and is under the administration of the State Treasurer. It is rated AAAM by Standard & Poor's, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Concentration of Credit Risk

The Town has investments in one issuer that is greater than 5% of the Town's total investments. This includes the investments in the Nationwide Fixed Account, Money Market Funds, and the Maryland Local Govt. Investment Pool.

Investment 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. At June 30, 2013, all of the Town investments were insured or registered, or for which the securities were held by the Town or its agent in the Town's name or were invested in the MLGIP or mutual funds.

Foreign Currency Risk

The Town's investment policy does not allow for investments denominated in foreign currencies. The Town does not hold any such investments.

NOTE 3 – RECEIVABLES

Summary of Receivables

Receivables as of year-end for the Town's funds, individually and in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – RECEIVABLES (CONTINUED)

	Governmental Activities	Business-type Activities				Total
		Water	Sewer	Major Facilities	Total	
Taxes	\$ 754,595	\$ -	\$ -	\$ -	\$ -	\$ 754,595
Accounts	246,599	539,123	963,105	215,270	1,717,498	1,964,097
Interest	4,511	-	-	-	-	4,511
Allowance for uncollectibles	<u>(337,252)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(337,252)</u>
Net receivables	<u>\$ 668,453</u>	<u>\$ 539,123</u>	<u>\$ 963,105</u>	<u>\$ 215,270</u>	<u>\$ 1,717,498</u>	<u>\$ 2,385,951</u>

Governmental funds report deferred revenue in relation to receivables for revenues that are not considered to be available to liquidate liabilities of the current period such as property taxes not collected within sixty (60) days after fiscal year-end. Deferred revenue may also include rental and program advances, franchise fees and similar prepayments received by the Town, grant revenue received prior to the incurrence of qualifying expenditures, and governmental fund nonexchange contributions which did not meet the GASB Statement No. 33 time restriction. Deferred revenue for the general fund at June 30, 2013 consisted solely of items deemed unavailable, and is summarized as follows:

Personal property taxes	\$ 240,177
Real property taxes	143,326
Traders taxes	15,968
Income taxes	<u>46,909</u>
Total	<u>\$ 446,380</u>

NOTE 4 – DUE FROM OTHER GOVERNMENTS

The June 30, 2013 balance due from other governments is as follows:

	Governmental Activities
State of Maryland	
Income tax reserve	\$ 234,032
Highway user tax	20,235
Admission and amusement tax	3,571
Hotel/motel tax	<u>35,353</u>
Total	<u>\$ 293,191</u>

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from other funds consisted of the following:

Receivable fund:	Payable Fund				Total
	General	Water	Sewer	Major Facility	
General	\$ -	\$ -	\$ 580,164	\$ 29,151	\$ 609,315
Water	185,475	-	272,055	188,344	645,874
Sewer	-	-	-	-	-
Major Facility	-	-	1,372,696	-	1,372,696
Total	\$ 185,475	\$ -	\$ 2,224,915	\$ 217,495	\$ 2,627,885

The outstanding balances between funds result mainly from the time lag between the dates that, (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between the funds are made.

Interfund transfers consisted of the following:

Transfers In	Transfers Out
	Major Facility
Water Fund	\$ 234,639
Sewer Fund	459,800
	\$ 694,439

The transfers to the Water Fund from the Major Facility Fund were made for capital asset purchases by the Fund.

NOTE 6 – CAPITAL ASSETS

Capital asset activity during the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Transfers and Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 2,657,608	\$ -	\$ -	\$ 2,657,608
Construction in Progress	55,079	125,669	-	180,748
Total capital assets, not being depreciated	<u>2,712,687</u>	<u>125,669</u>	<u>-</u>	<u>2,838,356</u>
Capital assets being depreciated:				
Buildings	6,508,484	-	-	6,508,484
Improvements other than buildings	13,986,713	462,762	-	14,449,475
Equipment	3,818,781	362,732	(131,465)	4,050,048
Total capital assets, being depreciated	<u>24,313,978</u>	<u>825,494</u>	<u>(131,465)</u>	<u>25,008,007</u>
Less accumulated depreciation for:				
Buildings	2,309,495	178,247	-	2,487,742
Improvements other than buildings	11,440,909	299,442	-	11,740,351
Equipment	3,196,204	264,384	(131,465)	3,329,123
Total accumulated depreciation	<u>16,946,608</u>	<u>742,073</u>	<u>(131,465)</u>	<u>17,557,216</u>
Net capital assets being depreciated	<u>7,367,370</u>	<u>83,421</u>	<u>-</u>	<u>7,450,791</u>
Net governmental activities capital assets	\$ 10,080,057	\$ 209,090	\$ -	\$ 10,289,147

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Land - Water	\$ 268,605	\$ -	\$ -	\$ 268,605
Land - Sewer	596,665	-	-	596,665
Construction in Progress - Water	508,580	160,009	(65,947)	602,642
Construction in Progress - Sewer	<u>130,469</u>	<u>366,510</u>	<u>-</u>	<u>496,979</u>
Total capital assets, not being depreciated	<u>1,504,319</u>	<u>526,519</u>	<u>(65,947)</u>	<u>1,964,891</u>
Capital assets, being depreciated:				
Plants, mains and improvements - Water	9,909,820	3,645	-	9,913,465
Plants, mains and improvements - Sewer	65,508,973	93,290	-	65,602,263
Equipment - Water	947,139	92,714	65,947	1,105,800
Equipment - Sewer	<u>1,821,497</u>	<u>34,114</u>	<u>-</u>	<u>1,855,611</u>
Total capital assets, being depreciated	<u>78,187,429</u>	<u>223,763</u>	<u>65,947</u>	<u>78,477,139</u>
Less accumulated depreciation:				
Plants, mains and improvements - Water	3,921,121	200,442	-	4,121,563
Plants, mains and improvements - Sewer	12,738,525	1,322,165	-	14,060,690
Equipment - Water	608,220	63,921	-	672,141
Equipment - Sewer	<u>1,493,675</u>	<u>98,524</u>	<u>-</u>	<u>1,592,199</u>
Total accumulated depreciation	<u>18,761,541</u>	<u>1,685,052</u>	<u>-</u>	<u>20,446,593</u>
Net capital assets being depreciated	<u>59,425,888</u>	<u>(1,461,289)</u>	<u>65,947</u>	<u>58,030,546</u>
Net business-type activities capital assets	<u>\$ 60,930,207</u>	<u>\$ (934,770)</u>	<u>\$ -</u>	<u>\$ 59,995,437</u>

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

Governmental activities:	
General government	\$ 112,585
Public safety	331,743
Public works	248,074
Parks and recreation	<u>49,671</u>
Total governmental activities	<u>\$ 742,073</u>
Business-type activities:	
Water Fund	\$ 264,363
Sewer Fund	<u>1,420,689</u>
Total business-type activities	<u>\$ 1,685,052</u>

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 – LONG-TERM DEBT

The following is a summary of changes that occurred in the Town’s long-term liabilities reported for governmental activities and business-type activities for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Loans	\$ 1,846,767	\$ 296,000	\$ 269,587	1,873,180	\$ 304,414
Other post employment benefits	255,118	71,231	2,160	324,189	-
Compensated absences	<u>269,100</u>	<u>310,555</u>	<u>270,445</u>	<u>309,210</u>	<u>92,763</u>
Total governmental activities	<u>\$ 2,370,985</u>	<u>\$ 677,786</u>	<u>\$ 542,192</u>	<u>\$ 2,506,579</u>	<u>\$ 397,177</u>
BUSINESS-TYPE ACTIVITIES					
Sewer facility loan #1	\$ 12,578,837	\$ -	\$ 762,858	\$ 11,815,979	\$ 765,910
Sewer facility loan #2	4,611,229	-	303,500	4,307,729	306,535
Other post employment benefits	50,002	13,768	-	63,770	-
Compensated absences	<u>47,411</u>	<u>54,016</u>	<u>47,038</u>	<u>54,389</u>	<u>16,317</u>
Total business-type activities	<u>\$ 17,287,479</u>	<u>\$ 67,784</u>	<u>\$ 1,113,396</u>	<u>\$ 16,241,867</u>	<u>\$ 1,088,762</u>

Governmental Activities

The Town has a loan for \$3,665,000 from a commercial bank. The loan has an interest rate of 3.62%, and a maturity date of May 2019. The loan repayment schedule requires monthly payments of principal and interest of \$25,229. Certain prepayments have been made which may result in a pay-down of the loan prior to the stated maturity.

The annual debt service requirements to maturity are as follows:

<u>For the Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>
2014	\$ 247,782	\$ 54,961	\$ 302,743
2015	257,048	45,695	302,743
2016	266,660	36,083	302,743
2017	276,632	26,111	302,743
2018	286,976	15,766	302,742
2019	<u>272,819</u>	<u>5,035</u>	<u>277,854</u>
	<u>\$ 1,607,917</u>	<u>\$ 183,651</u>	<u>\$ 1,791,568</u>

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued)

During fiscal year 2013 the town entered in a \$296,000 loan with PNC Bank to purchase new vehicles. The loan has an interest rate of 2.25%, and a maturity date of October 2017. The loan repayment schedule requires semi-annual payments of principal and interest of \$31,181.

<u>For the Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 56,632	\$ 5,731	\$ 62,363
2015	57,931	4,432	62,363
2016	59,252	3,110	62,363
2017	60,619	1,743	62,363
2018	<u>30,829</u>	<u>353</u>	<u>31,181</u>
Total	<u>\$ 265,263</u>	<u>\$ 15,369</u>	<u>\$ 280,632</u>

Business-Type Activities

During fiscal year 2007, the Town entered into a \$15,600,000 revolving loan agreement with the Maryland Department of the Environment which has been entirely drawn, and \$11,815,979 remains outstanding at June 30, 2013. The loan has an interest rate of 0.4% and a maturity date of February 2028.

Sewer Facility Upgrade - \$15,600,000			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 765,910	\$ 47,264	\$ 813,174
2015	768,974	44,200	813,174
2016	772,050	41,124	813,174
2017	775,138	38,036	813,174
2018	778,238	34,936	813,174
2019 - 2023	3,938,136	108,487	4,046,623
2024 - 2028	<u>4,017,533</u>	<u>64,345</u>	<u>4,081,878</u>
Total	<u>\$ 11,815,979</u>	<u>\$ 378,392</u>	<u>\$ 12,194,371</u>

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

During fiscal year 2008, the Town entered into a \$6,422,000 revolving loan agreement with the Maryland Department of the Environment, of which \$5,795,474 has been drawn, and \$1,487,745 has been repaid. The amount outstanding at June 30, 2013 was \$4,307,729. The loan has an interest rate of 1% and a maturity date of February 2028.

Sewer Facility Upgrade - \$6,422,000			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	306,535	43,077	349,612
2015	309,600	40,012	349,612
2016	312,696	36,916	349,612
2017	315,823	33,789	349,612
2018	318,982	30,631	349,613
2019 - 2023	1,643,396	90,304	1,733,700
2024 - 2028	1,100,697	37,936	1,138,633
Total	\$ 4,307,729	\$ 312,666	\$ 4,620,395

Conduit Debt

In June 2000, the Town issued an economic development revenue bond. In accordance with the terms of the loan and financing agreement the bond proceeds were paid to Union Hospital of Cecil County, Inc., and the hospital is responsible for providing funding for repayment of the bond. The outstanding balance was \$2,494,385 at June 30, 2013.

The Town has no responsibility for the payment of the debt except for the funds provided by the hospital under the terms of the loan and financing agreement. Neither the bond, nor the interest therein, constitutes an indebtedness, or a charge against the general credit or taxing power of the Town.

Legal Debt Margin

The Town is subject to a legal debt margin of 5.6% of the total assessed value of taxable real and personal property. At June 30, 2013 that amount was \$73,030,824 and the outstanding debt subject to the limit was \$17,996,888 which is 24.6% of the total debt limit.

**TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 8 – FUND BALANCE

Fund balance at June 30, 2013 consisted of the following:

Fund Balances	<u>General Fund</u>
Restricted for:	
Public safety	\$ 1,293,075
Recreation and culture	<u>186,831</u>
Total restricted	<u>1,479,906</u>
 Committed for:	
Recreation and culture - capital projects	<u>500,000</u>
 Assigned for:	
Recreation and culture	31,791
Non-departmental	<u>928,312</u>
Total assigned	<u>960,103</u>
Unassigned	<u>4,118,741</u>
Total fund balance	<u><u>\$ 7,058,750</u></u>

NOTE 9 – RETIREMENT AND PENSION PLANS

State Retirement and Pension Systems of Maryland

Description of Plan

Certain employees of the Town, who elected not to transfer into the Town of Elkton Defined Contribution Plan in 1999, are covered by the Pension System for Employees of the State of Maryland or The Employees Retirement System of the State of Maryland. These systems are part of the Maryland State Retirement and Pension System (the State System), and are cost-sharing multiple-employer public employee retirement systems. The State System provides pension, death and disability benefits to plan members and beneficiaries. The Plan is administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the State System is vested in a 12-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issued a publicly-available financial report that includes basic financial statements and required supplementary information for the State System. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202, or by calling 410-625-5555.

Funding Policy

The Town is required to contribute at an actuarially determined rate. The Town's contribution for the years ended June 30, 2013, 2012 and 2011 were \$10,257, \$13,549 and \$13,347, respectively, which were equal to the required contributions for each year.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 – RETIREMENT AND PENSION PLANS (CONTINUED)

Defined Contribution Plan

Description of Plan

The Town adopted the Town of Elkton, Defined Contribution Plan (TEDCP) covering substantially all employees not participating in the State System effective for the 1999 fiscal year. At June 30, 2013, there were sixty-two (62) plan members from the Town. Plan members do not have the option to make voluntary contributions to TEDCP. Plan provisions are established, amended and administered by the Mayor and Commissioners of the Town. The Town is required to contribute 8% of covered payroll of TEDCP participants. For the fiscal year ended June 30, 2013, actual contributions by the Town were \$206,821. TEDCP does not issue separate audited financial statements, as such, the Net Position as of June 30, 2013, and the changes in Net Position for the year ending June 30, 2013, are reflected in the Statement of Fiduciary Net Position and Changes in Fiduciary Net Position in the basic financial statements.

Investments

Equity mutual funds	\$ 1,973,856
Fixed income mutual funds	1,511,488
Money market funds	<u>56,703</u>
Total investments	<u>3,542,047</u>

NET POSITION

Held in trust for pension benefits	\$ <u>3,542,047</u>
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Statement of Changes in Plan Net Position
Town of Elkton, Defined Contribution Plan

ADDITIONS

Employer contributions	\$ 206,821
Investment gains	<u>313,990</u>
Total additions	520,811

DEDUCTIONS

Benefit payments	<u>50,637</u>
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CHANGE IN NET POSITION

470,174

NET POSITION - BEGINNING OF YEAR

3,071,873

NET POSITION - END OF YEAR

\$ 3,542,047

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 – RETIREMENT AND PENSION PLANS (CONTINUED)

Defined Benefit Plan

Description of Plan

On July 1, 2010, the Town began to administer the Town of Elkton, Police Pension Plan (TEPPP) which is a single-employer defined benefit plan covering all sworn officers of the Town. At June 30, 2013, there were forty-one (41) plan members from the Town. Plan members are required to contribute 8% of their base salary. For the fiscal year ended June 30, 2013, actual contributions by the plan members were \$192,111. Plan provisions are established, amended and administered by the Mayor and Commissioners of the Town. During 2013, the Town was required to contribute an actuarially determined amount of \$336,227. For the fiscal year ended June 30, 2013, actual contributions by the Town were \$351,394. TEPPP does not issue separate audited financial statements, as such, the Net Position as of June 30, 2013, and the changes in Net Position for the year ending June 30, 2013, are reflected in the Statement of Fiduciary Net Position and Changes in Fiduciary Net Position in the basic financial statements. Employees will be eligible to begin drawing their pension when they retire after 25 years of service or at age 60 with 10 years of service. The Plan does not provide early retirement benefits. TEPPP has a tax exempt status. TEPPP provides retirement and death benefits to plan members or the plan member's beneficiaries. Administrative costs of TEPPP are financed through investment earnings.

Basis of Accounting

The TEPPP's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recorded during the period in which they are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investments are made on a long term basis, investing in various securities which are subject to interest rate, market and credit risks.

The most current actuarial valuation was completed as of July 1, 2011. The membership data related to the Plan was as follows:

Retirees and beneficiaries currently receiving benefits	-
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>41</u>
Total	<u><u>41</u></u>

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 – RETIREMENT AND PENSION PLANS (CONTINUED)

Defined Benefit Plan (Continued)

Annual Pension Cost and Net Pension Obligation to the Town for the TEPPP are as follows:

	FY2013
Annual required contribution	\$ 336,227
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	336,227
Actual contribution	351,394
Increase in net pension asset	15,167
Net pension asset - beginning of year	39,254
Net pension asset - end of year	\$ 54,421

The annual required contribution was determined as part of the July 1, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included; (a) an annual inflation rate of 3.5%, (b) 7.5% investment rate of return compounded annually, and (c) projected annual salary increases of 6%. The actuarial value of assets was determined using the market value approach. The unfunded actuarial accrued liability is being amortized over 20 years as a level percentage of pay.

Trend information since inception for TEPPP (Inception to date):

Fiscal Years	Annual Pension	% of APC	Actual	Net Pension
Ending	Cost	Contributed	Contribution	Asset
2013	\$ 336,227	105%	\$ 351,934	\$ 54,421
2012	306,981	113%	346,235	39,254
2011	311,629	100%	311,629	-

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 – RETIREMENT AND PENSION PLANS (CONTINUED)

Defined Benefit Plan (Continued)

Statement of Plan Net Position
Town of Elkton, Police Pension Plan

ASSETS

Cash Equivalents	\$ <u>1,526,292</u>
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TOTAL ASSETS

\$ 1,526,292

NET POSITION

Held in trust for pension benefits	\$ <u><u>1,526,292</u></u>
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ADDITIONS

Employer contributions	\$ 351,934
Employee contributions	192,111
Investment gains	<u>121</u>
Total additions	544,166

DEDUCTIONS

Benefit payments	-
Administrative fees	<u>2,773</u>
Total deductions	2,773

CHANGE IN NET POSITION

541,393

NET POSITION - BEGINNING OF YEAR

984,899

NET POSITION - END OF YEAR

\$ 1,526,292

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 – RETIREMENT AND PENSION PLANS (CONTINUED)

Defined Benefit Plan (Continued)

The Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Liability (AAL) (2)	Funded Ratio (1)/(2) (3)	Unfunded AAL (UAAL) (2)-(1) (4)	Covered Payroll (5)	UAAL as a % of Covered Payroll ((2)- (1)/(5)) (6)
July 1, 2010	\$ 1,082,302 *	\$ 3,651,620	29.64%	\$ 2,569,318	\$ 2,092,218	122.80%
July 1, 2011	1,764,464 *	4,331,408	40.74%	2,566,944	2,283,084	112.43%
July 1, 2012	Bi-Annual Valuations are prepared, and as such, there is no information for this period.					

*Included in this amount are the vested account balances of sworn officers in the Defined Contribution Plan. Amount will be transferred to the Defined Benefit Plan upon final ruling by the IRS.

The Schedule of Funding Progress, presented as required supplementary information (RSI) on page 67 following the Notes, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This relationship is represented by the funded ratio.

For the TEPPP, the annual pension cost (APC) and net pension asset (NPA) were as follows:

Fiscal Years Ended	Annual Required Contribution	Interest on NPO	APC Adjustment	Annual Pension Cost	Total Employer Contribution	Change in NPA	Beginning NPA	Ending NPA
2013	\$ 336,227	\$ -	\$ -	\$ 336,227	\$ 351,934	\$ 15,167	\$ 39,254	\$ 54,421
2012	306,981	-	-	\$ 306,981	346,235	\$ 39,254	\$ -	\$ 39,254
2011	306,981	-	4,648	311,629	311,629	-	-	-

Schedule of employer contributions

Years Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2013	\$ 336,227	\$ 351,934	104.67%
2012	306,981	346,235	112.79%
2011	306,981	311,629	101.51%

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	July 1, 2011
Actuarial cost method	Projected unit credit
Amortization period	Level percentage of payroll
Remaining amortization period	20 years (closed)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	6% compounded annually
Projected disability increase	N/A
Projected payroll increases	3.5% per year
Salary valuation	36-month average highest pay
Post retirement cost-of-living adjustments	N/A

NOTE 10 – POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description: The Plan provides a fixed dollar subsidy which depends on service.

<u>Years of Service</u>	<u>Monthly Subsidy</u>
10-14	\$130
15-19	150
20-24	180
More than 25	200

Eligible employees who retire with less than ten (10) years of service are eligible to continue on the Town’s health plan but must pay 100% of the premium. Retirees are allowed to continue on the Town’s group health plan for a maximum of fifteen (15) years.

To be eligible for the Plan, an employee must satisfy one of the conditions below:

1. Continuously enrolled under the Town of Elkton’s group insurance plan for at least four (4) years immediately preceding the date of retirement, and at least age 50; or
2. Reach age 62; or
3. Be a sworn law enforcement employee for the Town of Elkton for 25 years.

The Town allows continued health insurance coverage for an eligible retiree’s spouse and dependents if the eligible retiree elects the additional coverage and pays the dependent premiums.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Plan Description: (Continued)

The actuarial valuation was completed as of July 1, 2012. The membership Data related to the Plan was as follows:

Number of Participants	
Active employees	90
Deferred vested terminations	N/A
Retirees in pay status (pre-Medicare)	N/A
Retirees in pay status (Medicare age)	3
Total	93

Funding Policy: These benefits are financed on a pay-as-you-go basis.

An actuarial valuation was performed as of July 1, 2012 to determine the net OPEB obligation. The Plan is not funded. The valuation used the projected unit cost method, with linear pro-ration to assumed benefit commencement.

Annual OPEB Cost and Net OPEB Obligation: The Town of Elkton’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town of Elkton’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Town of Elkton’s net OPEB obligation.

	FY 2013
Annual required contribution	\$ 86,000
Adjustment to annual required contribution	(13,000)
Interest on net OPEB obligation	12,000
Annual OPEB Cost	85,000
Contributions made	2,161
Increase in net OPEB obligation	82,839
Net OPEB obligation - beginning of year	305,120
Net OPEB obligation - end of year	\$ 387,959

The net OPEB obligation is included in the entity-wide statement of net asset as follows:

	FY 2013
Governmental activities	\$ 324,189
Business-type activities	63,770
Total net OPEB obligation	\$ 387,959

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

The Town of Elkton’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for FY 2013 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 85,000	\$ 2,160	3%	\$ 387,959

Funded Status and Funding Progress: As of June 30, 2013, the Plan was 0% funded. The unfunded actuarial accrued liability (UAAL) is \$592,000. The covered payroll (annual payroll of active employees covered by the Plan) was \$5,647,544, and the ratio of the UAAL to the covered payroll was 10.48%.

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 annual required contributions of the employer 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, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2010	\$ -	\$ 697,000	\$ 697,000	0%	\$ 5,319,933	13.10%
July 1, 2011	-	\$ 789,000	\$ 789,000	0%	\$ 5,479,531	14.40%
July 1, 2012	-	\$ 592,000	\$ 592,000	0%	\$ 5,647,544	10.48%

The Schedule of Funding Progress, presented as required supplementary information (RSI) on page 67 following the Notes, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This relationship is represented by the funded ratio.

Actuarial Methods and Assumptions: 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 member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce effects of term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is the long-term expected return on the employer’s own investments; and an annual healthcare cost trend rate of 8% initially, gradually decreasing over time. By 2030, the rate of increase is 5.7% and by 2050, it is 5%. The ultimate trend rate is 5.2%. The rates include a 4.2% inflation assumption.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The UAAL is being amortized as a level percentage of projected payroll on a closed basis over thirty years. Payroll is estimated to increase by 3% per annum.

NOTE 11 – OTHER INFORMATION

Risk Management

The Town is exposed to various risks of loss related to torts; destruction of assets; errors and omissions; employee's health and accident; and natural disasters. The Town purchases commercial insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection. Settled claims have not exceeded these coverages for the past three (3) fiscal years.

Contingent Liabilities and Commitments

Grants and Cost-Reimbursable Contracts

Most grants and cost-reimbursable contracts specify the types of expenditures for which the grant or contract funds may be used. The expenditures made by the Town under some of these grants and contracts are subject to audit. To date, the Town has not been notified of any significant unallowable costs relating to its grants or contracts. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audits will not have a material effect on the accompanying financial statements.

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REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF ELKTON, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND
(NON-GAAP – BUDGETARY BASIS)
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes and utility fees	\$ 7,907,005	\$ 7,907,005	\$ 8,072,486	\$ 165,481
Licenses and permits	273,300	273,300	363,019	89,719
Intergovernmental	671,955	700,866	752,544	54,350
Charges for services	723,402	810,037	805,637	(4,400)
Fines and forfeitures	59,000	59,000	31,010	(27,990)
Miscellaneous	39,490	54,110	217,340	163,230
Total revenues	<u>9,674,152</u>	<u>9,804,318</u>	<u>10,242,036</u>	<u>440,390</u>
EXPENDITURES				
Current:				
General government	1,431,492	1,464,899	1,337,619	127,280
Public safety	6,416,694	6,432,857	6,119,357	313,500
Public works	3,031,176	3,449,196	3,270,846	178,350
Recreation and culture	390,530	528,530	499,351	29,179
Debt service	382,163	382,163	333,202	48,961
Total expenditures	<u>11,652,055</u>	<u>12,257,645</u>	<u>11,560,375</u>	<u>697,270</u>
Excess (deficiency) of revenues over expenditures before appropriated fund balance	<u>(1,977,903)</u>	<u>(2,453,327)</u>	<u>(1,318,339)</u>	<u>1,137,660</u>
OTHER FINANCING SOURCES				
Loan Proceeds	<u>350,700</u>	<u>350,700</u>	<u>296,000</u>	<u>(54,700)</u>
Net change in fund balance	<u>\$ (1,627,203)</u>	<u>\$ (2,102,627)</u>	<u>(1,022,339)</u>	<u>\$ 1,082,960</u>
FUND BALANCES - BEGINNING OF YEAR			<u>7,617,360</u>	
FUND BALANCES - END OF YEAR			<u>\$ 6,595,021</u>	

**TOWN OF ELKTON, MARYLAND
SCHEDULE OF FUNDING PROGRESS –
OTHER POST EMPLOYMENT BENEFITS TRUST
Year Ended June 30, 2013**

The Schedule of Funding Progress presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	\$ -	\$ 697,000	\$ 697,000	0%	\$ 5,319,933	13.10%
July 1, 2011	-	\$ 789,000	\$ 789,000	0%	\$ 5,479,531	14.40%
July 1, 2012	-	\$ 592,000	\$ 592,000	0%	\$ 5,647,544	10.48%

Analysis of the dollar amounts of plan Net Position, actuarial accrued liability, and unfunded actuarial liability in isolation can be misleading. Expressing the assets as a percentage of the actuarial accrued liability (Funded Ratio) provides one indication of the system's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system is becoming. In the current and prior fiscal year, the Funded Ratio is 0.00%.

Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system is becoming. In this fiscal year, the UAAL as a percentage of covered payroll is 10.48%, down from 14.40% the year before.

**TOWN OF ELKTON, MARYLAND
SCHEDULE OF FUNDING PROGRESS –
POLICE PENSION PLAN TRUST
June 30, 2013**

The Schedule of Funding Progress presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (1)/(2) (3)	Unfunded AAL (UAAL) (2)-(1) (4)	Covered Payroll (5)	UAAL as a % of Covered Payroll ((2)- (1)/(5)) (6)
July 1, 2010	\$ 1,082,302 *	\$ 3,651,620	29.64%	\$ 2,569,318	\$ 2,092,218	122.80%
July 1, 2011	1,764,464 *	4,331,408	40.74%	2,566,944	2,283,084	112.43%
July 1, 2012	Bi-Annual Valuations are prepared, and as such, there is no information for this period.					

*Included in this amount are the vested account balances of sworn officers in the Defined Contribution Plan, which will be transferred to the Defined Benefit Plan upon final ruling by the IRS.

Analysis of the dollar amounts of plan Net Position, actuarial accrued liability, and unfunded actuarial liability in isolation can be misleading. Expressing the assets as a percentage of the actuarial accrued liability (Funded Ratio) provides one indication of the system's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system is becoming. In the July 1, 2011 actuarial valuation, the latest available, the Funded Ratio is 40.74%, up from 29.64% from the prior year.

Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system is becoming. In the July 1, 2011 actuarial valuation, the latest available, the UAAL as a percentage of covered payroll is 112.43%, down from 122.80% in the prior year.

TOWN OF ELKTON, MARYLAND
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2013

NOTE 1 – ORIGINAL AND FINAL BUDGETED AMOUNTS

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

The Mayor submits to the Board of Commissioners a proposed operating budget for the fiscal year as follows:

1. In April, the operating budget is prepared including proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments after two weeks notice is given in some newspaper(s) having a general circulation within the Town.
3. Thirty-two days prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The budget ordinance becomes effective July 1, and provides spending authority for the operations of the Town government.
5. Transfers and appropriations between functions require approval of the Board of Commissioners.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Budgetary control is maintained at the department level. At the end of the fiscal year, unencumbered appropriations lapsed.

The budget information, presented as required supplemental information to the accompanying government-wide financial statements, includes all budget ordinances and amendments as approved by the Mayor and Board of Commissioners for the fiscal year ending June 30, 2013. No annual budget and actual comparisons are presented in the basic financial statements or supplemental information for governmental funds utilizing project based budgets or proprietary funds.

During the fiscal year, the Commissioners may adopt supplemental appropriations. For the year ended June 30, 2013, supplemental appropriations that increased the budget are as follows:

<u>Supplemental Appropriations</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase</u>
General Fund - expenditures and transfers	\$ 11,652,055	\$ 12,257,645	\$ 605,590

NOTE 2 – LEGAL LEVEL OF BUDGETARY CONTROL

The Town maintains budgetary control at the departmental level of expenditure within the fund. The funds from the Town’s approved 2012 fiscal year budget are appropriated by these departments, which constitute the level of legal control over expenditures.

TOWN OF ELKTON, MARYLAND
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2013

NOTE 3 – BASIS OF BUDGETING

The Town uses accrual basis accounting as its basis of budgeting with the following exceptions:

1. Certain revenues collected in advance are recorded as liabilities (deferred revenues) rather than as revenues.
2. The following taxes are recorded on the modified accrual basis: real property tax, personal property tax, income tax, admissions tax, hotel tax, and highway user tax.
3. All other revenues are recorded only when the Town receives the related cash.

NOTE 4 – RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES

The accompanying schedule details the necessary adjustment to convert the results of operations and fund balances at the end of the year on the GAAP basis to budgetary basis:

	<u>General Fund</u>		
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
GAAP Basis	\$ 10,242,036	\$ 11,560,375	\$ 7,058,750
Internal loan balance repayments FY 2006 and prior	-	-	(463,729)
Total	<u>\$ 10,242,036</u>	<u>\$ 11,560,375</u>	<u>\$ 6,595,021</u>

OTHER SUPPLEMENTAL INFORMATION

TOWN OF ELKTON, MARYLAND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
(NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property:				
Real property	\$ 5,687,000	\$ 5,687,000	\$ 5,687,125	\$ 125
Traders	7,500	7,500	20,251	12,751
Railroads and public utilities	127,000	127,000	141,859	14,859
Ordinary business corporation	840,000	840,000	868,522	28,522
Payments in lieu of taxes	24,000	24,000	31,924	7,924
Penalties and Interest	45,000	45,000	41,133	(3,867)
Less:				
Abatements and collection fees	(85,500)	(85,500)	(89,112)	(3,612)
Volunteer Fire Co. rebates	(2,000)	(2,000)	(1,400)	600
Enterprise zone credits	(9,535)	(9,535)	(9,532)	3
Total property and real taxes	<u>6,633,465</u>	<u>6,633,465</u>	<u>6,690,770</u>	<u>57,305</u>
Other:				
Local income tax	1,000,000	1,000,000	1,078,655	78,655
Hotel/motel taxes	150,000	150,000	194,845	44,845
Highway gas tax	88,540	88,540	87,188	(1,352)
Admission and amusement	35,000	35,000	21,028	(13,972)
Total other taxes	<u>1,273,540</u>	<u>1,273,540</u>	<u>1,381,716</u>	<u>108,176</u>
Total taxes	<u>7,907,005</u>	<u>7,907,005</u>	<u>8,072,486</u>	<u>165,481</u>
Licenses and Permits				
Traders	38,000	38,000	40,933	2,933
Occupational	300	300	250	(50)
Building	80,000	80,000	131,409	51,409
Cable television	155,000	155,000	190,427	35,427
Total license and permits	<u>273,300</u>	<u>273,300</u>	<u>363,019</u>	<u>89,719</u>
Intergovernmental Revenues				
Federal:				
Grant - DOJ	-	-	9,246	9,246
Grant - Justice Assistance	-	-	13,636	13,636
Grant - GOCOP and COCPP	-	-	2,672	2,672
Grant- CHRPP	146,410	146,410	151,135	4,725
FEMA Reimbursement	-	-	32,343	32,343
Total federal	<u>146,410</u>	<u>146,410</u>	<u>209,032</u>	<u>62,622</u>
State:				
Grant - State Police Aid	<u>184,600</u>	<u>184,600</u>	<u>184,674</u>	<u>74</u>

TOWN OF ELKTON, MARYLAND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
(NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2013
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES (Continued)				
Intergovernmental Revenues (Continued)				
Local:				
County tax differential	\$ 338,000	\$ 338,000	\$ 339,914	\$ 1,914
DWI grant	-	-	9,147	9,147
Tobacco grant	-	-	-	-
Other	<u>2,945</u>	<u>31,856</u>	<u>9,777</u>	<u>(22,079)</u>
Total local	<u>340,945</u>	<u>369,856</u>	<u>358,838</u>	<u>(11,018)</u>
Total intergovernmental revenue	<u>671,955</u>	<u>700,866</u>	<u>752,544</u>	<u>54,350</u>
Charges for Services				
General government:				
Zoning and subdivision fees	7,500	7,500	17,359	9,859
Inspection fees	4,000	4,000	-	(4,000)
Forest Conservation fee	-	-	44,867	44,867
Farmers Market user fee	<u>300</u>	<u>300</u>	<u>350</u>	<u>50</u>
Total general government	<u>11,800</u>	<u>11,800</u>	<u>62,576</u>	<u>50,776</u>
Public safety:				
Special police services	<u>20,062</u>	<u>63,697</u>	<u>16,250</u>	<u>(47,447)</u>
Highway and streets:				
Public parking facilities	<u>30,000</u>	<u>30,000</u>	<u>27,264</u>	<u>(2,736)</u>
Sanitation and waste removal:				
Solid waste	439,740	439,740	451,675	11,935
Landfill rebate	60,200	60,200	60,208	8
Other	-	-	9,555	9,555
Total sanitation and waste removal	<u>499,940</u>	<u>499,940</u>	<u>521,438</u>	<u>21,498</u>
Parks and recreation:				
Building use permits	161,600	204,600	176,334	(28,266)
Programs and events	-	-	1,775	1,775
Total parks and recreation	<u>161,600</u>	<u>204,600</u>	<u>178,109</u>	<u>(26,491)</u>
Total charges for services	<u>723,402</u>	<u>810,037</u>	<u>805,637</u>	<u>(4,400)</u>
Fines and Forfeitures				
Parking fines	<u>59,000</u>	<u>59,000</u>	<u>31,010</u>	<u>(27,990)</u>
Miscellaneous Revenue - Other				
Interest	22,250	22,250	15,654	(6,596)
Rent and concessions	3,000	3,000	3,000	-
Contributions and donations	-	100	100	-
Other miscellaneous revenues	<u>14,240</u>	<u>28,760</u>	<u>198,586</u>	<u>169,826</u>
Total miscellaneous revenue	<u>39,490</u>	<u>54,110</u>	<u>217,340</u>	<u>163,230</u>
Total revenues	<u>9,674,152</u>	<u>9,804,318</u>	<u>10,242,036</u>	<u>440,390</u>

TOWN OF ELKTON, MARYLAND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
(NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2013
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
General Government				
Mayor and Council	\$ 141,320	\$ 141,420	\$ 134,589	\$ 6,831
Administration	315,495	316,419	256,417	60,002
Finance and accounting	194,810	194,810	184,810	10,000
Planning and zoning	267,762	267,762	260,312	7,450
General services	303,235	325,818	281,438	44,380
Personnel	207,670	217,470	162,857	54,613
Community promotion	1,200	1,200	840	360
Bad debts	-	-	56,356	(56,356)
Total general government	<u>1,431,492</u>	<u>1,464,899</u>	<u>1,337,619</u>	<u>127,280</u>
Public Safety				
Police department:				
Police patrol	5,201,451	5,212,703	4,922,616	290,087
Support services	596,925	596,925	592,043	4,882
Total police department	<u>5,798,376</u>	<u>5,809,628</u>	<u>5,514,659</u>	<u>294,969</u>
Other Public Safety				
Volunteer fire department	145,700	150,611	148,958	1,653
Building inspection	472,618	472,618	455,740	16,878
Total other public safety	<u>618,318</u>	<u>623,229</u>	<u>604,698</u>	<u>18,531</u>
Total public safety	<u>6,416,694</u>	<u>6,432,857</u>	<u>6,119,357</u>	<u>313,500</u>
Public Works				
Sanitation and waste removal:				
Maintenance	2,229,746	2,648,536	2,482,938	165,598
Waste collection and disposal	795,430	794,660	782,818	11,842
Mosquito and weed control	6,000	6,000	5,090	910
Total public works	<u>3,031,176</u>	<u>3,449,196</u>	<u>3,270,846</u>	<u>178,350</u>
Recreation and Culture				
Parks and recreation	390,530	528,530	499,351	29,179
Debt Service				
Principal	299,461	299,461	269,587	29,874
Interest	82,702	82,702	63,615	19,087
Total debt service	<u>382,163</u>	<u>382,163</u>	<u>333,202</u>	<u>48,961</u>
Total expenditures	<u>11,652,055</u>	<u>12,257,645</u>	<u>11,560,375</u>	<u>697,270</u>
Excess of revenues over expenditures	<u>(1,977,903)</u>	<u>(2,453,327)</u>	<u>(1,318,339)</u>	<u>1,137,660</u>
OTHER FINANCING SOURCES				
Loan Proceeds	350,700	350,700	296,000	(54,700)
Net change in fund balances	<u>\$ (1,627,203)</u>	<u>\$ (2,102,627)</u>	<u>\$ (1,022,339)</u>	<u>\$ 1,082,960</u>

TOWN OF ELKTON, MARYLAND
COMBINING SCHEDULE OF FIDUCIARY NET POSITION –
TRUST FUNDS
June 30, 2013

	<u>Defined Contribution Plan</u>	<u>Police Pension Plan</u>	<u>Total Pension Trusts</u>
ASSETS			
Cash Equivalents	\$ 56,703	\$ 1,526,292	\$ 1,582,995
Investments			
Equity mutual funds	1,973,856	-	1,973,856
Fixed income mutual funds	<u>1,511,488</u>	<u>-</u>	<u>1,511,488</u>
Total investments	<u>3,485,344</u>	<u>-</u>	<u>3,485,344</u>
TOTAL ASSETS	<u>\$ 3,542,047</u>	<u>\$ 1,526,292</u>	<u>\$ 5,068,339</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 3,542,047</u>	<u>\$ 1,526,292</u>	<u>\$ 5,068,339</u>

TOWN OF ELKTON, MARYLAND
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION –
TRUST FUNDS
For the Fiscal Year Ended June 30, 2013

	<u>Defined Contribution Plan</u>	<u>Police Pension Plan</u>	<u>Total Pension Trusts</u>
ADDITIONS			
Employer contributions	\$ 206,821	\$ 351,934	\$ 558,755
Employee contributions	-	192,111	192,111
Investment gains	<u>313,990</u>	<u>121</u>	<u>314,111</u>
Total additions	520,811	544,166	1,064,977
DEDUCTIONS			
Benefit payments	50,637	-	50,637
Administrative fees	<u>-</u>	<u>2,773</u>	<u>2,773</u>
Total deductions	<u>50,637</u>	<u>2,773</u>	<u>53,410</u>
CHANGE IN NET ASSETS	470,174	541,393	1,011,567
NET ASSETS - BEGINNING OF YEAR	<u>3,071,873</u>	<u>984,899</u>	<u>4,056,772</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,542,047</u></u>	<u><u>\$ 1,526,292</u></u>	<u><u>\$ 5,068,339</u></u>

**TOWN OF ELKTON, MARYLAND
STATISTICAL SECTION**

This part of the Town of Elkton’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

CONTENTS

Financial Trends

These schedules contain trend information to help the reader understand how the Town’s financial performance and well-being have changed over time. 81-87

Revenue Capacity

These schedules contain information to help the reader assess the Town’s most significant revenue source, the property tax. 88-90

Debt Capacity

These schedules present information to help the reader assess the affordability of the Town’s current levels of outstanding debt, and the government’s ability to issue additional debt in the future. 91-92

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town’s financial activities take place. 93-95

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Town’s financial report relates to the services the County provides and the services it performs. 96-97

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TOWN OF ELKTON, MARYLAND
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Governmental Activities										
Net investment in Capital Assets	\$ 8,415,967	\$ 8,233,290	\$ 8,340,459	\$ 8,680,624	\$ 8,861,372	\$ 8,617,711	\$ 8,048,594	\$ 7,440,942	\$ 7,056,121	\$ 6,648,669
Restricted	1,479,906	1,635,859	1,753,528	1,750,415	1,691,173	1,150,146	1,732,410	1,358,844	615,076	829,371
Unrestricted	<u>5,440,673</u>	<u>6,511,761</u>	<u>7,198,340</u>	<u>7,307,255</u>	<u>7,399,059</u>	<u>7,676,791</u>	<u>5,466,360</u>	<u>4,616,781</u>	<u>3,527,346</u>	<u>2,018,447</u>
Total Governmental Activities Net Position	<u>15,336,546</u>	<u>16,380,910</u>	<u>17,292,327</u>	<u>17,738,294</u>	<u>17,951,604</u>	<u>17,444,648</u>	<u>15,247,364</u>	<u>13,416,567</u>	<u>11,198,543</u>	<u>9,496,487</u>
Business-Type Activities										
Net investment in Capital Assets	43,871,729	43,740,141	44,093,304	45,745,259	45,618,628	44,233,408	37,635,942	25,292,678	23,949,573	20,942,031
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>11,766,977</u>	<u>10,337,719</u>	<u>9,619,844</u>	<u>3,980,435</u>	<u>4,631,762</u>	<u>3,840,616</u>	<u>1,258,862</u>	<u>6,117,007</u>	<u>4,302,887</u>	<u>4,631,618</u>
Total Business-Type Activities Net Position	<u>55,638,706</u>	<u>54,077,860</u>	<u>53,713,148</u>	<u>49,725,694</u>	<u>50,250,390</u>	<u>48,074,024</u>	<u>38,894,804</u>	<u>31,409,685</u>	<u>28,252,460</u>	<u>25,573,649</u>
Primary Government										
Net investment in Capital Assets	52,287,696	51,973,431	52,433,763	54,425,883	54,480,000	52,851,119	45,684,536	32,733,620	31,005,694	27,590,700
Restricted	1,479,906	1,635,859	1,753,528	1,750,415	1,691,173	1,150,146	1,732,410	1,358,844	615,076	829,371
Unrestricted	<u>17,207,650</u>	<u>16,849,480</u>	<u>16,818,184</u>	<u>11,287,690</u>	<u>12,030,821</u>	<u>11,517,407</u>	<u>6,725,222</u>	<u>10,733,788</u>	<u>7,830,233</u>	<u>6,650,065</u>
Total Primary Government Net Position	<u>\$ 70,975,252</u>	<u>\$ 70,458,770</u>	<u>\$ 71,005,475</u>	<u>\$ 67,463,988</u>	<u>\$ 68,201,994</u>	<u>\$ 65,518,672</u>	<u>\$ 54,142,168</u>	<u>\$ 44,826,252</u>	<u>\$ 39,451,003</u>	<u>\$ 35,070,136</u>

Source: Town of Elkton Financial Statements

TOWN OF ELKTON, MARYLAND
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Expenses										
Governmental Activities:										
General Government	\$ 1,398,465	\$ 1,434,055	\$ 1,420,063	\$ 1,618,781	\$ 1,438,869	\$ 1,222,709	\$ 1,331,471	\$ 1,244,526	\$ 1,197,420	\$ 1,032,103
Public Safety	6,177,765	5,681,640	5,243,295	4,899,948	4,889,321	4,127,085	3,867,097	3,428,692	2,926,486	3,296,579
Public Works	3,053,786	2,883,683	3,028,570	3,156,622	2,747,042	2,711,567	2,577,208	2,667,431	2,678,693	1,953,905
Recreation and Culture	425,725	376,518	413,617	296,808	392,628	404,967	392,558	310,657	256,829	231,384
Administration	-	-	-	89,124	10,336	6,470	27,601	7,872	14,576	24,690
Legal settlement	-	60,234	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	63,693	77,424	80,006	88,305	97,415	107,078	119,265	134,594	138,003	-
Total Governmental Activities Expenses	<u>11,119,434</u>	<u>10,513,554</u>	<u>10,185,551</u>	<u>10,149,588</u>	<u>9,575,611</u>	<u>8,579,876</u>	<u>8,315,200</u>	<u>7,793,772</u>	<u>7,212,007</u>	<u>6,538,661</u>
Business-Type Activities:										
Water	2,113,851	2,195,489	2,029,079	1,688,839	1,551,657	1,473,172	1,331,282	1,215,680	1,036,791	1,183,031
Sewer	5,039,853	4,795,616	4,593,132	4,582,652	4,156,226	3,158,557	2,589,385	2,233,456	1,962,529	2,140,281
Major Facility	9,377	37,059	-	2,318	4,102	50,137	8,690	150	11,630	729,279
Total Business-Type Activities Expenses	<u>7,163,081</u>	<u>7,028,164</u>	<u>6,622,211</u>	<u>6,273,809</u>	<u>5,711,985</u>	<u>4,681,866</u>	<u>3,929,357</u>	<u>3,449,286</u>	<u>3,010,950</u>	<u>4,052,591</u>
Total Primary Government Expenses	<u>\$ 18,282,515</u>	<u>\$ 17,541,718</u>	<u>\$ 16,807,762</u>	<u>\$ 16,423,397</u>	<u>\$ 15,287,596</u>	<u>\$ 13,261,742</u>	<u>\$ 12,244,557</u>	<u>\$ 11,243,058</u>	<u>\$ 10,222,957</u>	<u>\$ 10,591,252</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 294,186	\$ 252,188	\$ 212,921	\$ 311,931	\$ 235,063	\$ 310,551	\$ 239,627	\$ 469,841	\$ 447,358	\$ 430,242
Public Safety	74,524	104,042	133,122	162,834	148,325	159,879	80,570	71,004	25,741	42,622
Public Works	740,035	634,172	661,136	562,391	1,109,764	991,931	1,142,233	1,436,160	1,215,574	1,076,569
Recreation and Culture	178,109	148,647	133,547	112,465	113,332	113,923	122,333	24,390	126,433	110,442
Operating Grants and Contributions	412,730	261,419	241,615	302,696	305,576	299,958	402,205	286,443	417,204	387,414
Capital Grants and Contributions	-	-	-	178,967	176,965	111,010	160,400	203,901	187,622	196,171
Total Governmental Activities Program Revenues	<u>1,699,584</u>	<u>1,400,468</u>	<u>1,382,341</u>	<u>1,631,284</u>	<u>2,089,025</u>	<u>1,987,252</u>	<u>2,147,368</u>	<u>2,491,739</u>	<u>2,419,932</u>	<u>2,243,460</u>
Business-Type Activities:										
Charges for Services:										
Water	2,507,773	2,061,007	1,633,718	1,408,758	1,439,483	1,502,709	1,492,154	1,490,092	1,139,601	1,032,363
Sewer	4,701,891	4,398,694	4,249,165	3,989,796	4,084,152	3,971,606	3,426,612	2,773,260	2,061,510	2,011,594
Major Facility	1,300,250	670,299	1,683,775	339,750	645,150	740,251	1,317,557	2,317,050	2,212,500	2,066,250
Other Operating Revenues	-	-	-	-	-	-	-	19,884	22,902	23,957
Grant Revenues	54,900	79,883	2,885,638	-	1,581,596	7,590,257	5,148,206	-	160,660	650,000
Miscellaneous	-	-	-	-	-	-	-	-	20,801	16,239
Total Business-Type Activities Program Revenues	<u>8,564,814</u>	<u>7,209,883</u>	<u>10,452,296</u>	<u>5,738,304</u>	<u>7,750,381</u>	<u>13,804,823</u>	<u>11,384,529</u>	<u>6,600,286</u>	<u>5,617,974</u>	<u>5,800,403</u>
Total Primary Government Program Revenues	<u>\$ 10,264,398</u>	<u>\$ 8,610,351</u>	<u>\$ 11,834,637</u>	<u>\$ 7,369,588</u>	<u>\$ 9,839,406</u>	<u>\$ 15,792,075</u>	<u>\$ 13,531,897</u>	<u>\$ 9,092,025</u>	<u>\$ 8,037,906</u>	<u>\$ 8,043,863</u>

TOWN OF ELKTON, MARYLAND
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Continued)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (9,419,850)	\$ (9,113,086)	\$ (8,803,210)	\$ (8,518,304)	\$ (7,486,586)	\$ (6,592,624)	\$ (6,167,832)	\$ (5,302,033)	\$ (4,792,075)	\$ (4,440,911)
Business-Type Activities	1,401,733	181,719	3,830,085	(535,505)	2,038,396	9,122,957	7,455,172	3,151,000	2,607,024	1,747,812
Total Primary Government Net Expense	<u>\$ (8,018,117)</u>	<u>\$ (8,931,367)</u>	<u>\$ (4,973,125)</u>	<u>\$ (9,053,809)</u>	<u>\$ (5,448,190)</u>	<u>\$ 2,530,333</u>	<u>\$ 1,287,340</u>	<u>\$ (2,151,033)</u>	<u>\$ (2,185,051)</u>	<u>\$ (2,693,099)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	\$ 7,135,947	\$ 7,061,089	\$ 7,157,852	\$ 6,983,569	\$ 6,693,024	\$ 6,969,356	\$ 6,315,601	\$ 5,884,406	\$ 5,435,524	\$ 4,739,679
State and County Shared Taxes	1,078,655	1,079,807	1,004,307	1,087,042	1,174,671	1,330,200	1,057,451	958,373	868,619	983,833
Investment Earnings	15,654	17,559	23,406	63,824	93,997	389,615	569,059	377,795	128,246	56,719
Miscellaneous	145,230	43,214	171,678	170,559	31,850	100,737	56,518	187,853	117,557	157,210
Transfers	-	-	-	-	-	-	-	-	(55,815)	(55,815)
Total Governmental Activities	<u>8,375,486</u>	<u>8,201,669</u>	<u>8,357,243</u>	<u>8,304,994</u>	<u>7,993,542</u>	<u>8,789,908</u>	<u>7,998,629</u>	<u>7,408,427</u>	<u>6,494,131</u>	<u>5,881,626</u>
Business-Type Activities:										
Investment Earnings	14,313	16,653	21,940	10,809	137,970	56,263	29,947	35,902	15,972	16,716
Transfers	-	-	-	-	-	-	-	-	55,815	55,815
Miscellaneous	144,800	166,340	135,429	-	-	-	-	81,953	-	-
Total Business-Type Activities	<u>159,113</u>	<u>182,993</u>	<u>157,369</u>	<u>10,809</u>	<u>137,970</u>	<u>56,263</u>	<u>29,947</u>	<u>117,855</u>	<u>71,787</u>	<u>72,531</u>
Total Primary Government	<u>\$ 8,534,599</u>	<u>\$ 8,384,662</u>	<u>\$ 8,514,612</u>	<u>\$ 8,315,803</u>	<u>\$ 8,131,512</u>	<u>\$ 8,846,171</u>	<u>\$ 8,028,576</u>	<u>\$ 7,526,282</u>	<u>\$ 6,565,918</u>	<u>\$ 5,954,157</u>
Change in Net Position										
Governmental Activities	\$ (1,044,364)	\$ (911,417)	\$ (445,967)	\$ (213,310)	\$ 506,956	\$ 2,197,284	\$ 1,830,797	\$ 2,106,394	\$ 1,702,056	\$ 1,440,715
Business-Type Activities	1,560,846	364,712	3,987,454	(524,696)	2,176,366	9,179,220	7,485,119	3,268,855	2,678,811	1,820,343
Total Primary Government Change in Net Position	<u>\$ 516,482</u>	<u>\$ (546,705)</u>	<u>\$ 3,541,487</u>	<u>\$ (738,006)</u>	<u>\$ 2,683,322</u>	<u>\$ 11,376,504</u>	<u>\$ 9,315,916</u>	<u>\$ 5,375,249</u>	<u>\$ 4,380,867</u>	<u>\$ 3,261,058</u>

Source: Town of Elkton Financial Statements

**Town of Elkton, Maryland
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(Budgetary Basis of Accounting)**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Income Tax</u>	<u>Hotel/Motel Tax</u>	<u>Highway Gas Tax</u>	<u>Admission & Amusement Tax</u>	<u>Total</u>
2013	\$ 6,690,770	\$ 1,078,655	\$ 194,845	\$ 87,188	\$ 21,028	\$ 8,072,486
2012	6,860,083	1,079,807	167,660	134,649	33,346	8,275,545
2011	6,975,420	1,004,307	148,478	45,612	33,954	8,207,771
2010	6,654,704	1,226,587	130,262	83,241	59,058	8,153,852
2009	6,696,806	955,188	158,876	563,179	56,825	8,430,874
2008	6,601,548	1,453,359	163,838	595,147	80,811	8,894,703
2007	6,155,935	940,392	184,142	653,371	92,584	8,026,424
2006	5,600,250	958,373	161,611	762,332	122,545	7,605,111
2005	5,166,639	868,619	146,966	623,181	121,919	6,927,324
2004	4,617,985	812,656	146,720	497,419	146,151	6,220,931

TOWN OF ELKTON, MARYLAND
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund										
Restricted	\$ 1,479,906	\$ 1,596,605	\$ 1,753,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	500,000	1,500,000	1,500,000	-	-	-	-	-	-	-
Assigned	960,103	1,728,312	1,565,229	-	-	-	-	-	-	-
Unassigned	<u>4,118,741</u>	<u>3,256,172</u>	<u>4,080,933</u>	<u>-</u>						
Total General Fund	<u>\$ 7,058,750</u>	<u>\$ 8,081,089</u>	<u>\$ 8,899,690</u>	<u>\$ -</u>						
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ 1,750,415	\$ 1,691,173	\$ 1,150,146	\$ 1,732,410	\$ 1,358,844	\$ 615,076	\$ 898,727
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,345,513</u>	<u>7,156,425</u>	<u>7,423,073</u>	<u>5,167,849</u>	<u>4,474,279</u>	<u>3,390,417</u>	<u>1,840,182</u>
Total General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,095,928</u>	<u>\$ 8,847,598</u>	<u>\$ 8,573,219</u>	<u>\$ 6,900,259</u>	<u>\$ 5,833,123</u>	<u>\$ 4,005,493</u>	<u>\$ 2,738,909</u>

Source: Town of Elkton Financial Statements

TOWN OF ELKTON, MARYLAND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Taxes	\$ 8,072,486	\$ 7,887,108	\$ 7,711,280	\$ 7,995,249	\$ 8,110,473	\$ 8,647,928	\$ 7,581,824	\$ 7,364,605	\$ 6,690,762	\$ 6,212,171
Licenses and permits	363,019	271,172	391,934	259,357	342,656	282,369	393,105	597,848	462,213	487,702
Intergovernmental	752,544	597,458	572,702	810,409	770,248	686,231	802,286	707,854	801,460	754,762
Charges for services	805,637	674,087	643,987	729,142	615,391	627,446	516,266	621,781	721,307	661,065
Fines and forfeitures	31,010	59,141	59,193	77,881	85,258	71,322	22,021	19,434	8,405	13,689
Investment revenues	15,654	17,559	23,406	63,824	93,997	389,615	569,059	377,795	128,246	56,719
Miscellaneous	201,686	93,916	171,778	176,659	45,510	100,738	56,517	187,853	117,557	157,210
Total Revenues	10,242,036	9,600,441	9,574,280	10,112,521	10,063,533	10,805,649	9,941,078		8,929,950	8,343,318
Expenditures										
General government	1,337,619	1,382,700	1,324,134	1,476,319	1,342,837	1,176,362	1,273,959	1,181,533	1,162,451	1,002,867
Public safety	6,119,357	5,500,408	5,082,910	4,748,206	4,939,624	4,175,753	3,827,859	3,308,553	2,812,119	2,832,314
Public works	3,270,846	2,882,569	2,686,879	2,805,901	2,499,560	2,946,628	2,799,849	2,720,927	3,153,409	2,112,246
Recreation and culture	499,351	351,309	374,548	437,043	598,160	396,559	374,760	432,119	318,977	268,936
Nondepartmental	-	-	-	89,124	10,336	6,470	27,601	7,872	14,576	24,690
Debt service										
Principal	269,675	230,127	222,041	219,293	301,222	323,745	450,153	375,239	268,892	481,987
Interest	63,527	71,929	80,006	88,305	97,415	107,172	119,761	134,927	142,495	150,654
Total Expenditures	11,560,375	10,419,042	9,770,518	9,864,191	9,789,154	9,132,689	8,873,942	8,161,170	7,872,919	6,873,694
Excess of revenues over (under) expenditures	(1,318,339)	(818,601)	(196,238)	248,330	274,379	1,672,960	1,067,136	(8,161,170)	1,057,031	1,469,624
Other financing sources (uses)										
Loan proceeds	296,000	-	-	-	-	-	-	-	265,368	-
Transfer out	-	-	-	-	-	-	-	-	(55,815)	(55,815)
Contribution by developer for debt service	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	296,000	-	-	-	-	-	-	-	209,553	(55,815)
Net change in fund balances	\$ (1,022,339)	\$ (818,601)	\$ (196,238)	\$ 248,330	\$ 274,379	\$ 1,672,960	\$ 1,067,136	\$ (8,161,170)	\$ 1,266,584	\$ 1,413,809
Debt service as a percentage of noncapital expenditures	3.14%	3.02%	3.18%	3.27%	4.42%	5.28%	7.09%	6.86%	6.40%	12.29%

GOVERNMENTAL TAX REVENUES BY SOURCE

Fiscal Year	Property Tax	Income Tax	Hotel/Motel Tax	Highway Gas Tax	Admission & Amusement Tax	Total
2013	\$ 6,690,770	\$ 1,078,655	\$ 194,845	\$ 87,188	\$ 21,028	8,072,486
2012	6,471,646	1,079,807	167,660	134,649	33,346	7,887,108
2011	6,478,929	1,004,307	148,478	45,612	33,954	7,711,280
2010	6,496,101	1,226,587	130,262	83,241	59,058	7,995,249
2009	6,376,405	955,188	158,876	563,179	56,825	8,110,473
2008	6,354,773	1,453,359	163,838	595,147	80,811	8,647,928
2007	5,711,335	940,392	184,142	653,371	92,584	7,581,824
2006	5,359,744	958,373	161,611	762,332	122,545	7,364,605
2005	4,930,077	868,619	146,966	623,181	121,919	6,690,762
2004	4,609,225	812,656	146,720	497,419	146,151	6,212,171

Source: Town of Elkton Financial Statements

TOWN OF ELKTON, MARYLAND
ASESSSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Real Property			Personal Property			Total Assessed Property		Market Value Change		Total Direct Tax Rate (1)
	Taxable Assessed Value	Estimated Actual Value	Tax Rate	Assessed Value	Estimated Actual Value	Tax Rate	Assessed Value	Estimated Actual Value	Amount	Percentage	
2013	\$ 1,215,856,529	\$ 1,215,856,529	\$ 0.4632	\$ 88,265,320	\$ 88,265,320	\$ 1.110	\$ 1,304,121,849	\$ 1,304,121,849	\$ 30,360,144	2.38%	0.507
2012	1,190,522,425	1,190,522,425	0.4656	83,239,280	83,239,280	1.110	1,273,761,705	1,273,761,705	9,992,599	0.79%	0.508
2011	1,174,007,666	1,174,007,666	0.4734	89,761,440	89,761,440	1.110	1,263,769,106	1,263,769,106	(11,319,480)	-0.89%	0.519
2010	1,191,915,832	1,191,915,832	0.4640	83,172,754	83,172,754	1.110	1,275,088,586	1,275,088,586	102,206,804	8.71%	0.506
2009	1,092,124,302	1,092,124,302	0.5040	80,757,480	80,757,480	1.110	1,172,881,782	1,172,881,782	117,761,390	11.16%	0.546
2008	975,413,502	975,413,502	0.5440	79,706,890	79,706,890	1.110	1,055,120,392	1,055,120,392	83,846,503	8.63%	0.587
2007	887,854,979	887,854,979	0.5440	83,418,910	83,418,910	1.110	971,273,889	971,273,889	49,339,192	5.35%	0.593
2006	834,710,487	834,710,487	0.5440	87,224,210	87,224,210	1.110	921,934,697	921,934,697	102,166,889	12.46%	0.598
2005	739,000,968	739,000,968	0.5440	80,766,840	80,766,840	1.110	819,767,808	819,767,808	61,935,949	8.17%	0.600
2004	676,325,649	676,325,649	0.5440	81,506,210	81,506,210	1.110	757,831,859	757,831,859	52,842,649	7.50%	0.605

(1) The total direct tax rate is a weighted average of real and personal property taxes.

Source: Uniform Financial Report of The Town of Elkton, Maryland.

**TOWN OF ELKTON, MARYLAND
REAL PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Town of Elkton										
Real Property	\$0.4632	\$0.4656	\$0.4734	\$0.4640	\$0.5040	\$0.5440	\$0.5440	\$0.5440	\$0.5440	\$0.5440
Personal Property	1.1100	1.1100	1.1100	1.1100	1.1100	1.1100	1.1100	1.1100	1.1100	1.1100
Total Direct Tax Rate (1)	0.5070	0.5080	0.5190	0.5060	0.5460	0.5870	0.5930	0.5980	0.6000	0.6050
Cecil County	0.9910	0.9401	0.9150	0.9400	0.9600	0.9600	0.9600	0.9600	0.9800	0.9800
State of Maryland	<u>0.1120</u>	<u>0.1320</u>	<u>0.1320</u>							
Total Tax Rate	<u><u>\$1.5662</u></u>	<u><u>\$1.5177</u></u>	<u><u>\$1.5004</u></u>	<u><u>\$1.5160</u></u>	<u><u>\$1.5760</u></u>	<u><u>\$1.6160</u></u>	<u><u>\$1.6160</u></u>	<u><u>\$1.6160</u></u>	<u><u>\$1.6560</u></u>	<u><u>\$1.6560</u></u>

Source: Town of Elkton Finance Department and Maryland Department of Assessments and Taxation

(1) The total direct tax rate is a weighted average of real and personal property taxes.

TOWN OF ELKTON, MARYLAND
PRINCIPAL PROPERTY TAXPAYERS
 Current Fiscal Year and Nine Years Ago

Taxpayer	2013				2004			
	Real Estate Assessment	Personal Property Assessment	Total Assessment	Percentage of Total Assessment	Real Estate Assessment	Personal Property Assessment	Total Assessment	Percentage of Total Assessment
Terumo Medical Corporation	\$ 18,470,800	\$ 15,000,000	\$ 33,470,800	2.57%	\$ 21,102,320	\$ 10,000,000	\$ 31,102,320	4.10%
W.L. Gore & Associates, Inc.	13,212,400	15,000,000	28,212,400	2.16%	13,707,700	10,000,000	23,707,700	3.13%
Pine Valley, LLC	21,568,900	98,610	21,667,510	1.66%	31,803,600	7,990	31,811,590	4.20%
Wal-Mart Real Estate Business Tr.	14,770,900	2,778,710	17,549,610	1.35%	564,500	818,670	1,383,170	0.18%
Williams Family Automotive LLC	12,988,800	29,460	13,018,260	1.00%	8,515,200	9,110	8,524,310	1.12%
Elkton Associates	10,000,000	680	10,000,680	0.77%	14,467,100	1,330	14,468,430	1.91%
The Meadows at Elk Creek I, L.P.	9,833,200	-	9,833,200	0.75%	10,056,900	-	10,056,900	1.33%
Southfield Park Center, LLC	9,048,400	-	9,048,400	0.69%	2,110,600	-	2,110,600	0.28%
Elkton Village, LLC	8,306,800	-	8,306,800	0.64%	5,495,500	-	5,495,500	0.73%
Centrum-Elkton Limited Partnership	8,205,800	-	8,205,800	0.63%	9,465,300	-	9,465,300	1.25%
TOTAL	<u>\$ 126,406,000</u>	<u>\$ 32,907,460</u>	<u>\$ 159,313,460</u>	<u>12.22%</u>	<u>\$ 117,288,720</u>	<u>\$ 20,837,100</u>	<u>\$ 138,125,820</u>	<u>18.23%</u>

Source: Town of Elkton Finance Department.

Note: Taxpayer data for 2013 and 2004 was included only if it was one of the ten largest for 2013. The Town is aware that it is required to present the ten largest taxpayers during 2013 and 2004, however, the ten largest taxpayers during 2004 was not a required schedule in 2004, therefore the information had not been compiled and was unobtainable for the current year's presentation.

TOWN OF ELKTON, MARYLAND
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Current Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy
2013	\$ 5,666,085	\$ 5,635,345	99.46%	\$ 69,467	\$ 5,704,812	100.68%
2012	5,551,932	5,451,725	98.20%	58,101	5,509,826	99.24%
2011	5,566,898	5,490,998	98.64%	92,877	5,583,875	100.30%
2010	5,535,302	5,438,562	98.25%	31,887	5,470,449	98.83%
2009	5,510,987	5,433,769	98.60%	57,103	5,490,872	99.64%
2008	5,325,452	5,312,404	99.75%	3,726	5,316,130	99.82%
2007	4,829,931	4,763,222	98.62%	4,940	4,768,162	98.72%
2006	4,561,609	4,523,272	99.16%	475	4,523,747	99.17%
2005	3,968,204	3,933,455	99.12%	10,530	3,943,985	99.39%
2004	3,629,617	3,593,886	99.02%	80,085	3,673,971	101.22%

Source: Uniform Financial Report of the Town of Elkton, Maryland.

Note: Total Tax Collections and Percent of Total Tax Collections to Total Tax Levy columns include all prior years collections received in that year.

**TOWN OF ELKTON, MARYLAND
RATIOS OF OUTSTANDING LOANS
Last Ten Fiscal Years**

Fiscal Year	Payable From Governmental Activities	Payable From Business-Type Activities	Total Outstanding Debt	(1) Percentage of Personal Income	(1) Per Capita
2013	\$ 1,873,180	\$ 16,123,708	17,996,888	3.20%	\$ 1,155
2012	1,846,767	17,190,066	19,036,833	3.18%	1,226
2011	2,076,894	18,250,380	20,327,274	3.57%	1,316
2010	2,298,935	17,965,927	20,264,862	3.68%	1,374
2009	2,518,228	19,014,277	21,532,505	4.07%	1,451
2008	2,819,450	17,805,061	20,624,511	3.88%	1,391
2007	3,143,195	5,000,000	8,143,195	1.66%	552
2006	2,076,894	-	2,076,894	0.46%	144
2005	3,968,587	297,453	4,266,040	1.00%	303
2004	3,972,112	389,500	4,361,612	1.04%	314

(1) See the Schedule of Demographic Statistics for personal income and population data.

**TOWN OF ELKTON, MARYLAND
COMPUTATION OF LEGAL DEBT MARGIN AND
COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

COMPUTATION OF LEGAL DEBT MARGIN

TOTAL ASSESSED VALUE OF PROPERTY	<u>\$ 1,304,121,849</u>
Debt limit 5.6%	73,030,824
Amount of debt applicable to debt limit	<u>17,996,888</u>
LEGAL DEBT MARGIN	<u>\$ 55,033,936</u>

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the Town</u>	<u>Share of Debt Outstanding</u>
DIRECT DEBT OF THE TOWN	\$ 1,873,180	100.00%	\$ 1,873,180
Indirect debt:			
Cecil County	<u>138,052,077</u> ²	14.42% ¹	<u>19,907,110</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$ 139,925,257</u>		<u>\$ 21,780,290</u>

¹ Rate of assessed value in the Town \$ 1,304,121,849
to total assessed value of the County \$ 9,041,332,310

² This debt is not direct debt of the Town. The overlapping debt represents the debt obligation of the residents through direct taxes assessed by the County.

Source: Town of Elkton Finance Department and Cecil County Treasurer's Office

**TOWN OF ELKTON, MARYLAND
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years**

Fiscal Year	(1) Estimated Population	Personal Income	(1) Per Capita Income	(2) School Enrollment	(3) Unemployment Rate
2013	15,579	\$ 561,716,424	\$ 36,056	3,226	8.2%
2012	15,531	598,067,748	38,508	3,197	8.7%
2011	15,443	569,244,423	36,861	3,211	9.0%
2010	14,746	551,220,226	37,381	3,248	9.8%
2009	14,842	529,057,932	35,646	3,321	9.0%
2008	14,825	531,446,600	35,848	3,324	5.2%
2007	14,753	490,006,142	33,214	3,272	3.9%
2006	14,466	447,867,360	30,960	3,368	4.3%
2005	14,067	424,837,467	30,201	3,381	4.6%
2004	13,876	419,069,076	30,201	3,441	5.2%

- (1) U.S. Census Bureau, 2010 Census
- (2) Maryland State Department of Education
- (3) Maryland Department of Labor, Licensing and Regulation

Note: Unemployment rates are for Cecil County, Maryland; rates are not available for Town of Elkton. Unemployment rates for fiscal years 2005-2009 were revised by the Maryland Department of Labor, Licensing and Regulation in April, 2010.

**TOWN OF ELKTON, MARYLAND
PRINCIPAL EMPLOYERS
Current Year***

2013			
<u>Company</u>	<u>Number Employed</u>	<u>Percentage of Total County Employment</u>	<u>Product/ Service</u>
Union Hospital of Cecil County	1,000	3.41%	Medical Services
Cecil County Public Schools	600	2.05%	Elementary/Secondary Education
Cecil County Government	600	2.05%	Government Services
Terumo Medical/Cardiovascular	600	2.05%	Medical Products/ R&D
W.L. Gore & Associates, Inc.	400	1.36%	Gore-tex Products
Walmart Stores, Inc.	300	1.02%	Consumer Goods
Upper Bay Counseling	200	0.68%	Medical Services
Highway Service Ventures	175	0.60%	Truck Fueling Station
Acme Markets	160	0.55%	Grocery
Laurelwood Care Center	150	0.51%	Medical Services
Estes Express Lines	115	0.39%	Truck Terminal
TOTAL	<u>4,300</u>	<u>14.67%</u>	
Total Cecil County Employees (Data available for county only)	<u>29,306</u>		

Source: Maryland Department of Business & Economic Development
Maryland Department of Labor, Licensing and Regulation

* Current year only, data for 2004 is unavailable

TOWN OF ELKTON
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Full-time Equivalent Town Government Employees by Function										
Function	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government										
Mayor and Council	5	5	5	5	5	5	5	5	5	5
Administration	3	3	4	5	4	4	3	3	3	3
Finance	5	5	5	5	5	5	5	5	5	5
Planning	2	2	2	2	2	2	2	2	2	2
Human Resources	2	2	2	2	2	2	2	2	1	1
Building Custodian	1	1	1	1	1	1	1	1	-	-
Public Safety										
Police										
Officers	45	43	43	44	43	43	38	36	36	36
Civilians	6	6	6	6	6	6	11	11	11	11
Building Inspection	6	6	6	6	8	8	8	8	7	7
Public Works	33	33	40	40	37	37	36	35	33	29
Sanitation	-	-	-	-	-	-	-	-	-	-
Parks and Recreation	3	3	4	4	4	4	4	3	2	3
Total	111	109	118	120	117	117	115	111	105	102

Source: Town of Elkton Fiscal Year Budgets

TOWN OF ELKTON, MARYLAND
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government										
Construction Permits Issued	28	41	43	18	21	23	71	175	194	299
Estimated Value of Construction	\$ 11,706,892	\$ 6,830,197	\$ 14,979,445	\$ 1,550,000	\$ 6,129,000	\$ 4,458,660	\$ 15,403,100	\$ 17,888,093	\$ 29,366,433	\$ 27,045,740
Public Safety										
Traffic Contacts	5,002	4,545	3,758	3,341	4,106	3,367	4,247	6,933	6,526	6,493
Calls for Service	32,747	33,713	31,645	30,257	26,646	25,257	22,181	19,695	17,614	19,254
Public Works										
Street Resurfacing (miles)	0.85	0.90	0.10	0.20	0.20	2.00	0.86	1.08	1.54	0.83
Sidewalk Replacement/Repair (miles)	0.27	0.50	0.10	0.50	0.50	0.50	0.39	0.53	0.47	0.13
Stormwater Ponds Managed	21	23	23	22	25	25	57	56	56	52
Recreation										
Number of Activity Sessions Offered										
Preschool Activities	49	67	62	59	58	72	63	60	37	36
Youth Activities	75	97	65	69	60	113	74	56	51	52
Adult Activities	5	5	7	17	16	13	20	8	7	6
Total Number of Activity Sessions Offered	129	169	134	145	134	198	157	124	95	94
Program Participants										
Preschool Activities	515	548	664	743	569	806	836	954	666	718
Youth Activities	1852	1,811	1,358	1,333	1,244	1,112	1,243	718	925	1,052
Adult Activities	7	8	13	95	24	30	12	39	9	15
Total Program Participants	2,374	2,367	2,035	2,171	1,837	1,948	2,091	1,711	1,600	1,785
Water										
New Connections	22	31	20	32	19	51	79	133	312	170
Water Main/Lateral Breaks	60	48	74	69	40	25	35	26	55	44
Average Daily Consumption (millions of gallons)	1.644	1.477	1.657	1.563	1.590	1.590	1.690	1.642	1.677	1.538
Sewer										
Sewer Main/Lateral Breaks	27	11	5	0	1	5	5	10	13	14
Average Daily Sewage Treatment (millions of gallons)	1.636	1.804	1.805	1.867	1.700	1.420	1.650	1.634	1.693	1.880

Source: Various Town departments

TOWN OF ELKTON, MARYLAND
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Function										
General Information										
Area in Square Miles	8.2	8.20	8.20	8.15	8.15	8.15	8.15	8.15	8.15	8.15
Public Safety - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	38	33	31	31	29	28	23	23	23	27
Highways and Streets										
Streets (miles)	45.2	45.2	45.2	44.3	44.2	44.2	44.2	43.4	43.4	42.3
Storm Sewers (miles)	43.3	43.3	43.3	42	42	41	41	40	40	38
Catch Basins	1,658	1,658	1,658	1,590	1,590	1,576	864	842	834	801
Street Lights	591	591	591	579	579	579	579	554	502	502
Recreation and Culture										
Number of Parks/Playgrounds	3/4	3/4	3/4	3/4	3/4	3/4	3/4	3/4	3/4	3/4
Park Acreage	245.98	245.98	245.98	245.98	245.98	245.98	245.98	245.98	245.98	245.98
Tennis Courts	6	6	6	6	6	6	6	6	6	6
Water										
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wells	2	2	2	2	2	2	2	2	2	2
Reservoirs	1	1	1	1	1	1	1	1	1	1
Water Towers	4	4	4	4	4	4	4	4	4	4
Pumping Stations	3	3	3	3	3	3	3	3	3	3
Maximum Daily Capacity (million gallons)	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15
Number of Customer Accounts	6,708	6,686	6,655	6,635	6,603	6,482	6,383	6,304	6,171	5,859
Water Mains (miles)	75.8	75.8	75.8	74.3	74.2	74.2	74.2	73.3	72.5	68.8
Fire Hydrants	578	578	578	554	554	554	449	440	417	388
Wastewater										
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Maximum Daily Treatment Capacity (million gallons)	3.2	3.20	3.20	3.20	3.20	2.70	2.70	2.70	2.70	2.70
Pumping Stations	13	13	13	13	13	12	12	10	10	10
Sanitary Sewers (miles)	68.8	68.8	68.8	67.7	67.6	67.6	67.6	66.6	61.5	57.8

Source: Various Town departments