

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 has no component units as defined by GAAP.

Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Changes in Net Assets report information on all of the non-fiduciary activities of the Town. Eliminations have been made to remove the effect of interfund 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
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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. In accordance with generally accepted accounting principles, the Town has elected not to implement pronouncements issued by the Financial Accounting Standards Board after November 30, 1989 for its proprietary funds. The operation of the Water, Sewer and Major Facility Funds are in this category.

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.

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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 Assets 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

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June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Assets or Equity (CONTINUED)

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.

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 2012, the Town’s water and sewer system customer base included a total of 6,655 water and 6,493 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 THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Assets 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 Assets. Depreciation has been provided over the estimated useful lives using the straight-line method.

Estimated useful lives are as follows:

<u>Category</u>	<u>Years</u>
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 assets. 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, 2012.

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Assets 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 \$316,511 with \$94,953 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).

Net Asset Reporting

The government-wide and proprietary fund type financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted, and are further described as follows:

- *Invested in capital assets, net of related debt* - This category groups all capital assets including infrastructure into one component of net assets. 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 assets* - This category presents the balance of net assets for which external restrictions are imposed by creditors, grantors or laws and regulations of other governments.
- *Unrestricted net assets* - This category presents the net assets 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. **Nonspendable** – 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 THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Assets 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.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

Deposits

At year-end, the carrying amount of the Town deposits (excluding petty cash of \$150) was \$16,338,436, and the bank balance was \$16,722,308. 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, 2012.

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Investments

At June 30, 2012, 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.	12,762	AAA	5.30
Dreyfus Intermediate Term Inc. A	76,805	BBB	7.70
Federated Bond F	10,437	BB	8.70
Neuberger Short Duration Bond Tr	9,495	BBB	2.00
Nationwide Govt. Bond Instl. Svc.	53,846	AAA	12.33
Nationwide Fixed Account	1,220,565	N/A	N/A
Money market funds	1,040,224	AAA	Less than 1
Maryland Local Govt. Investment Pool	<u>650,799</u>	AAAm	Less than 1
Total	<u><u>\$ 4,707,721</u></u>		

* Amount represents the average maturity of the underlying investments.

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

Carrying amount of deposits	\$ 16,338,436
Carrying amount of investments	<u>4,707,721</u>
Total cash and investments	21,046,157
Less amounts in fiduciary funds	<u>4,056,772</u>
Total cash and cash equivalents per Statement of Net Assets	<u><u>\$ 16,989,385</u></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, 2012, met the Town investment policy as of that date.

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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.

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, 2012, 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 government's funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities			Total	Total
		Water	Sewer	Major Facilities		
Taxes	\$ 669,139	\$ -	\$ -	\$ -	\$ -	\$ 669,139
Accounts	365,571	530,279	921,833	226,125	1,678,237	2,043,808
Interest	4,511	-	-	-	-	4,511
Allowance for uncollectibles	(280,896)	-	-	-	-	(280,896)
Net receivables	\$ 758,325	\$ 530,279	\$ 921,833	\$ 226,125	\$ 1,678,237	\$ 2,436,562

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – RECEIVABLES (CONTINUED)

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, 2012 consisted solely of items deemed unavailable, and is summarized as follows:

Personal property taxes	\$ 257,117
Real property taxes	21,914
Traders taxes	1,119
Income taxes	<u>276,840</u>
Total	<u>\$ 556,990</u>

NOTE 4 – DUE FROM OTHER GOVERNMENTS

The June 30, 2012 balance due from other governments is as follows:

	Governmental Activities	Business-Type Activities
State of Maryland		
Income tax reserve	\$ 383,748	\$ -
Highway user tax	30,168	-
Admission and amusement tax	11,824	-
Hotel/motel tax	15,680	-
Grant	-	<u>70,122</u>
Total	<u>\$ 441,420</u>	<u>\$ 70,122</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from other funds consisted of the following:

	Payable Fund				Total
	General	Water	Sewer	Major Facility	
Receivable fund:					
General	\$ -	\$ 95,297	\$ 2,123,788	\$ 252,638	\$ 2,471,723
Water	153,974	-	351,066	137,437	642,477
Sewer	1,261,569	98,083	-	1,041	1,360,693
Major Facility	<u>153,737</u>	<u>28,346</u>	<u>1,390,952</u>	<u>-</u>	<u>1,573,035</u>
Total	<u>\$ 1,569,280</u>	<u>\$ 221,726</u>	<u>\$ 3,865,806</u>	<u>\$ 391,116</u>	<u>\$ 6,047,928</u>

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

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:

<u>Transfers Out</u>	<u>Transfers In</u>
Major Facility	Water
\$ 136,070	\$ 136,070

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, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 2,657,608	\$ -	\$ -	\$ 2,657,608
Construction in Progress	51,739	3,340	-	55,079
Total capital assets, not being depreciated	2,709,347	3,340	-	2,712,687
Capital assets being depreciated:				
Buildings	6,496,298	12,186	-	6,508,484
Improvements other than buildings	13,681,449	305,264	-	13,986,713
Equipment	3,706,019	112,762	-	3,818,781
Total capital assets, being depreciated	23,883,766	430,212	-	24,313,978
Less accumulated depreciation for:				
Buildings	2,131,113	178,382	-	2,309,495
Improvements other than buildings	11,104,245	336,664	-	11,440,909
Equipment	2,940,402	255,802	-	3,196,204
Total accumulated depreciation	16,175,760	770,848	-	16,946,608
Net capital assets being depreciated	7,708,006	(340,636)	-	7,367,370
Net governmental activities capital assets	\$ 10,417,353	\$ (337,296)	\$ -	\$ 10,080,057

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Transfers and Deletions	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Land - Water	\$ 268,605	\$ -	\$ -	\$ 268,605
Land - Sewer	596,665	-	-	596,665
Construction in Progress - Water	442,632	65,948	-	508,580
Construction in Progress - Sewer	62,904	67,565	-	130,469
Total capital assets, not being depreciated	<u>1,370,806</u>	<u>133,513</u>	<u>-</u>	<u>1,504,319</u>
Capital assets, being depreciated:				
Plants, mains and improvements - Water	9,890,961	18,859	-	9,909,820
Plants, mains and improvements - Sewer	65,516,401	-	-	65,516,401
Equipment - Water	837,651	109,488	-	947,139
Equipment - Sewer	1,804,433	9,636	-	1,814,069
Total capital assets, being depreciated	<u>78,049,446</u>	<u>137,983</u>	<u>-</u>	<u>78,187,429</u>
Less accumulated depreciation:				
Plants, mains and improvements - Water	3,720,329	200,792	-	3,921,121
Plants, mains and improvements - Sewer	11,420,470	1,318,055	-	12,738,525
Equipment - Water	548,503	59,717	-	608,220
Equipment - Sewer	1,387,266	106,409	-	1,493,675
Total accumulated depreciation	<u>17,076,568</u>	<u>1,684,973</u>	<u>-</u>	<u>18,761,541</u>
Net capital assets being depreciated	<u>60,972,878</u>	<u>(1,546,990)</u>	<u>-</u>	<u>59,425,888</u>
Net business-type activities capital assets	<u>\$ 62,343,684</u>	<u>\$ (1,413,477)</u>	<u>\$ -</u>	<u>\$ 60,930,207</u>

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

Governmental activities:	
General government	\$ 114,320
Public safety	321,611
Public works	286,273
Parks and recreation	<u>48,644</u>
Total governmental activities	<u>\$ 770,848</u>
Business-type activities:	
Water Fund	\$ 260,509
Sewer Fund	<u>1,424,464</u>
Total business-type activities	<u>\$ 1,684,973</u>

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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, 2012:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Loans	\$ 2,076,894	\$ -	\$ 230,127	\$ 1,846,767	\$ 238,850
Other post employment benefits	161,338	93,780	-	255,118	-
Compensated absences	<u>291,176</u>	<u>284,579</u>	<u>306,655</u>	<u>269,100</u>	<u>80,730</u>
Total governmental activities	<u>\$ 2,529,408</u>	<u>\$ 378,359</u>	<u>\$ 536,782</u>	<u>\$ 2,370,985</u>	<u>\$ 319,580</u>
BUSINESS-TYPE ACTIVITIES					
Sewer facility loan #1	\$ 13,338,656	\$ -	\$ 759,819	\$ 12,578,837	\$ 762,859
Sewer facility loan #2	4,911,724	-	300,495	4,611,229	303,500
Other post employment benefits	31,942	18,060	-	50,002	-
Compensated absences	<u>-</u>	<u>50,138</u>	<u>2,727</u>	<u>47,411</u>	<u>14,223</u>
Total business-type activities	<u>\$ 18,282,322</u>	<u>\$ 68,198</u>	<u>\$ 1,063,041</u>	<u>\$ 17,287,479</u>	<u>\$ 1,080,582</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>
2013	\$ 238,850	\$ 63,893	\$ 302,743
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 - 2019	<u>559,795</u>	<u>20,801</u>	<u>580,596</u>
	<u>\$ 1,846,767</u>	<u>\$ 247,544</u>	<u>\$ 2,094,311</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 \$12,578,837 remains outstanding at June 30, 2012. The loan has an interest rate of 0.4% and a maturity date of

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

February 2028. 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 \$1,184,245 has been repaid. The amount outstanding at June 30, 2012 was \$4,611,229. The loan has an interest rate of 1% and a maturity date of February 2028.

Sewer Facility Upgrade - \$15,6000,000

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 762,859	\$ 50,315	\$ 813,174
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 - 2022	3,922,446	143,423	4,065,869
2023 - 2027	4,001,526	64,345	4,065,871
2028	809,934	3,242	813,176
Total	\$ 12,578,837	\$ 431,949	\$ 13,010,786

Sewer Facility Upgrade - \$6,422,000

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 303,500	\$ 46,112	\$ 349,612
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 - 2022	1,627,126	120,935	1,748,061
2023 - 2027	1,435,949	37,936	1,473,885
Total	\$ 4,611,229	\$ 358,778	\$ 4,970,007

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 \$2,820,102 at June 30, 2012.

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.

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 8 – FUND BALANCE

Fund balance at June 30, 2012 consisted of the following:

Fund Balances	General Fund
Restricted for:	
Public safety	\$ 1,455,140
Recreation and culture	<u>141,465</u>
Total restricted	<u>1,596,605</u>
 Committed for:	
Recreation and culture - capital projects	<u>1,500,000</u>
 Assigned for:	
Recreation and culture	101,109
Non-departmental	<u>1,627,203</u>
Total assigned	<u>1,728,312</u>
 Unassigned	 <u>3,256,172</u>
 Total fund balance	 <u><u>\$ 8,081,089</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, 2012, 2011 and 2010 were \$13,549; \$13,347; and \$7,262, respectively, which were equal to the required contributions for each year.

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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, 2012, there were sixty-four (64) 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, 2012, actual contributions by the Town were \$188,339. TEDCP does not issue separate audited financial statements, as such, the net assets as of June 30, 2012, and the changes in net assets for the year ending June 30, 2012, are reflected in the Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets in the basic financial statements.

Statement of Plan Net Assets
Town of Elkton, Defined Contribution Plan

Investments	
Equity mutual funds	\$ 1,635,018
Fixed income mutual funds	1,383,910
Money market funds	<u>52,945</u>
Total investments	<u>3,071,873</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 3,071,873</u>

Statement of Changes in Plan Net Assets
Town of Elkton, Defined Contribution Plan

ADDITIONS	
Employer contributions	\$ 188,339
Investment gains	<u>46,100</u>
Total additions	234,439
DEDUCTIONS	
Benefit payments	<u>68,060</u>
CHANGE IN NET ASSETS	<u>166,379</u>
NET ASSETS - BEGINNING OF YEAR	<u>2,905,494</u>
NET ASSETS - END OF YEAR	<u>\$ 3,071,873</u>

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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, 2012, there were thirty-nine (39) plan members from the Town. Plan members are required to contribute 8% of their base salary. For the fiscal year ended June 30, 2012, actual contributions by the plan members were \$178,414. Plan provisions are established, amended and administered by the Mayor and Commissioners of the Town. During 2012, the Town was required to contribute an actuarially determined amount of \$306,981. For the fiscal year ended June 30, 2012, actual contributions by the Town were \$346,235. TEPPP does not issue separate audited financial statements, as such, the net assets as of June 30, 2012, and the changes in net assets for the year ending June 30, 2012, are reflected in the Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets 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, 2010. 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>39</u>
Total	<u><u>39</u></u>

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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:

	FY2012
Annual required contribution	\$ 306,981
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	306,981
Actual contribution	<u>346,235</u>
Increase in net pension asset	39,254
Net pension asset - beginning of year	-
Net pension asset - end of year	<u>\$ 39,254</u>

The annual required contribution was determined as part of the July 1, 2010 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
2012	\$ 306,981	113%	\$ 346,235	\$ 39,254
2011	311,629	100%	311,629	-

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

ASSETS

Cash Equivalents	\$ 984,899
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TOTAL ASSETS	\$ 984,899
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NET ASSETS

Held in trust for pension benefits	\$ 984,899
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TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 9 – RETIREMENT AND PENSION PLANS (CONTINUED)

Defined Benefit Plan (Continued)

Statement of Changes in Plan Net Assets
Town of Elkton, Police Pension Plan

ADDITIONS

Employer contributions	\$ 346,235
Employee contributions	178,414
Investment gains	66
Total additions	524,715

DEDUCTIONS

Benefit payments	6,422
Administrative fees	2,769
Total deductions	9,191

CHANGE IN NET ASSETS 515,524

NET ASSETS - BEGINNING OF YEAR 469,375

NET ASSETS - END OF YEAR \$ 984,899

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 – (Inception to date)

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%

*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.

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
2012	\$ 306,981	\$ -	\$ -	\$ 306,981	\$ 346,235	\$ 39,254	\$ -	\$ 39,254
2011	306,981	-	4,648	311,629	311,629	-	-	-

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 9 – RETIREMENT AND PENSION PLANS (CONTINUED)

Defined Benefit Plan (Continued)

Schedule of employer contributions - (Inception to date)

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

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, 2010
Actuarial cost method	Projected unit credit
Amortization period	Level percentage of payroll
Remaining amortization period	20 years
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 THE FINANCIAL STATEMENTS
June 30, 2012

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

Plan Description: (Continued)

The actuarial valuation was completed as of May 6, 2010. The membership Data related to the Plan was as follows:

Number of Participants	
Active employees	96
Deferred vested terminations	N/A
Retirees in pay status (pre-Medicare)	N/A
Retirees in pay status (Medicare age)	<u>3</u>
Total	<u><u>99</u></u>

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

An actuarial valuation was performed as of May 6, 2010 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.

	<u>FY 2012</u>
Annual required contribution	\$ 114,000
Adjustment to annual required contribution	(7,000)
Interest on net OPEB obligation	<u>7,000</u>
Annual OPEB Cost	114,000
Contributions made	<u>2,160</u>
Increase in net OPEB obligation	111,840
Net OPEB obligation - beginning of year	<u>193,280</u>
Net OPEB obligation - end of year	<u><u>\$ 305,120</u></u>

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

	<u>FY 2012</u>
Governmental activities	\$ 255,118
Business-type activities	<u>50,002</u>
Total net OPEB obligation	<u><u>\$ 305,120</u></u>

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 2012 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>
2012	\$ 114,000	\$ 2,160	2%	\$ 305,120

Funded Status and Funding Progress: As of June 30, 2012, the Plan was 0% funded. The unfunded actuarial accrued liability (UAAL) is \$789,000. The covered payroll (annual payroll of active employees covered by the Plan) was \$5,479,531, and the ratio of the UAAL to the covered payroll was 14.40%.

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, 2009	\$ -	\$ 612,000	\$ 612,000	0%	\$ 5,143,288	11.90%
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%

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 June 30, 2010 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

TOWN OF ELKTON, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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

healthcare cost trend rate of 8% initially, gradually decreasing over time. By 2030, the rate of increase is 6.5% and by 2050, it is 5.8%. The ultimate trend rate is 5.2%. The rates include a 3.2% inflation assumption.

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 – SUBSEQUENT EVENT

Subsequent to June 30, 2012, but before the date of these financial statements, the Town settled an outstanding litigation claim. The settlement represented an activity that was in existence prior to fiscal year-end, therefore, the Town accrued the settlement to the current fiscal year. The liability which is included in the accompanying Balance Sheet as accrued expenses and the accompanying Statement of Net Assets as accrued liabilities. The Town's general liability insurer agreed to reimburse the Town for a portion of the settlement which is included in the accompanying Balance Sheet as a receivable and the accompanying Statement of Net Assets as accounts receivable. The corresponding net expense is included in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance as a miscellaneous expenditure in the accompanying Statement of Revenues, Expenses and Change in Net Assets as a Special Items expense.

NOTE 12 – 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
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND
(NON-GAAP – BUDGETARY BASIS)
Year Ended June 30, 2012

	<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 and utility fees	\$ 7,713,940	\$ 7,713,940	\$ 7,887,108	\$ 173,168
Licenses and permits	274,300	274,300	271,172	(3,128)
Intergovernmental	527,705	569,579	597,458	27,879
Charges for services	572,880	585,152	674,087	88,935
Fines and forfeitures	59,000	59,000	59,141	141
Miscellaneous	41,920	81,065	111,475	30,410
Total revenues	<u>9,189,745</u>	<u>9,283,036</u>	<u>9,600,441</u>	<u>317,405</u>
EXPENDITURES				
Current:				
General government	1,366,215	1,435,539	1,382,700	52,839
Public safety	5,733,130	5,773,090	5,500,408	272,682
Public works	2,909,875	3,234,861	2,882,569	352,292
Recreation and culture	354,045	354,045	351,309	2,736
Debt service	302,745	302,745	302,056	689
Total expenditures	<u>10,666,010</u>	<u>11,100,280</u>	<u>10,419,042</u>	<u>681,238</u>
Excess (deficiency) of revenues over expenditures before appropriated fund balance	<u>\$ (1,476,265)</u>	<u>\$ (1,817,244)</u>	(818,601)	<u>\$ 998,643</u>
FUND BALANCES - BEGINNING OF YEAR			<u>8,435,961</u>	
FUND BALANCES - END OF YEAR			<u>\$ 7,617,360</u>	

**TOWN OF ELKTON, MARYLAND
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS TRUST
Year Ended June 30, 2012**

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, 2009	\$ -	\$612,000	\$612,000	0%	\$ 5,143,288	11.90%
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%

Analysis of the dollar amounts of plan net assets, 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 14.40%, up from 13.10% the year before.

**TOWN OF ELKTON, MARYLAND
SCHEDULE OF FUNDING PROGRESS –
POLICE PENSION PLAN TRUST
June 30, 2012**

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.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
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%

*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 assets, 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, 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 current fiscal year, 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, 2012

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, 2012. 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, 2012, 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	<u>\$ 10,666,010</u>	<u>\$ 11,100,280</u>	<u>\$ 434,270</u>

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, 2012

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:

	General Fund		
	Revenues	Expenditures	Fund Balance
GAAP Basis	\$ 9,600,441	\$ 10,419,042	\$ 8,081,089
Internal loan balance repayments FY 2006 and prior	-	-	(463,729)
Total	\$ 9,600,441	\$ 10,419,042	\$ 7,617,360

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property:				
Real property	\$ 5,652,300	\$ 5,652,300	\$ 5,587,024	\$ (65,276)
Traders	8,500	8,500	8,446	(54)
Railroads and public utilities	125,000	125,000	199,104	74,104
Ordinary business corporation	875,000	875,000	731,133	(143,867)
Payments in lieu of taxes	21,000	21,000	28,526	7,526
Penalties and Interest	42,000	42,000	41,090	(910)
Less:				
Abatements and collection fees	(110,000)	(110,000)	(110,204)	(204)
Volunteer Fire Co. rebates	(2,000)	(2,000)	(1,600)	400
Enterprise zone credits	(11,870)	(11,870)	(11,873)	(3)
Total property and real taxes	<u>6,599,930</u>	<u>6,599,930</u>	<u>6,471,646</u>	<u>(128,284)</u>
Other:				
Local income tax	900,000	900,000	1,079,807	179,807
Hotel/motel taxes	142,000	142,000	167,660	25,660
Highway gas tax	22,010	22,010	134,649	112,639
Admission and amusement	50,000	50,000	33,346	(16,654)
Total other taxes	<u>1,114,010</u>	<u>1,114,010</u>	<u>1,415,462</u>	<u>301,452</u>
Total taxes	<u>7,713,940</u>	<u>7,713,940</u>	<u>7,887,108</u>	<u>173,168</u>
Licenses and Permits				
Traders	38,000	38,000	42,330	4,330
Occupational	300	300	475	175
Building	90,000	90,000	73,010	(16,990)
Cable television	146,000	146,000	155,357	9,357
Total license and permits	<u>274,300</u>	<u>274,300</u>	<u>271,172</u>	<u>(3,128)</u>
Intergovernmental Revenues				
Federal:				
Grant - DOJ	-	-	2,723	2,723
Grant - Justice Assistance	-	28,552	29,883	1,331
FEMA Reimbursement	-	-	21,191	21,191
Total federal	<u>-</u>	<u>28,552</u>	<u>53,797</u>	<u>25,245</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, 2012
(CONTINUED)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES (Continued)				
Intergovernmental Revenues (Continued)				
Local:				
County tax differential	\$ 335,160	\$ 335,160	\$ 336,139	\$ 979
DWI grant	-	-	1,087	1,087
Tobacco grant	-	-	493	493
Other	7,945	21,267	21,268	1
Total local	<u>343,105</u>	<u>356,427</u>	<u>358,987</u>	<u>2,560</u>
Total intergovernmental revenue	<u>527,705</u>	<u>569,579</u>	<u>597,458</u>	<u>27,879</u>
Charges for Services				
General government:				
Zoning and subdivision fees	15,000	15,000	10,062	(4,938)
Inspection fees	4,000	4,000	3,994	(6)
Forest Conservation fee	-	-	39,640	39,640
Farmers Market user fee	800	800	330	(470)
Total general government	<u>19,800</u>	<u>19,800</u>	<u>54,026</u>	<u>34,226</u>
Public safety:				
Special police services	<u>3,400</u>	<u>15,672</u>	<u>15,609</u>	<u>(63)</u>
Highway and streets:				
Public parking facilities	<u>30,000</u>	<u>30,000</u>	<u>29,292</u>	<u>(708)</u>
Sanitation and waste removal:				
Solid waste	338,080	338,080	354,796	16,716
Landfill rebate	67,000	67,000	66,898	(102)
Other	-	-	4,819	4,819
Total sanitation and waste removal	<u>405,080</u>	<u>405,080</u>	<u>426,513</u>	<u>21,433</u>
Parks and recreation:				
Building use permits	114,600	114,600	139,448	24,848
Programs and events	-	-	9,199	9,199
Total parks and recreation	<u>114,600</u>	<u>114,600</u>	<u>148,647</u>	<u>34,047</u>
Total charges for services	<u>572,880</u>	<u>585,152</u>	<u>674,087</u>	<u>88,935</u>
Fines and Forfeitures				
Parking fines	<u>59,000</u>	<u>59,000</u>	<u>59,141</u>	<u>141</u>
Miscellaneous Revenue - Other				
Interest	25,400	25,400	17,559	(7,841)
Rent and concessions	3,000	3,000	3,335	335
Contributions and donations	-	100	100	-
Other miscellaneous revenues	<u>13,520</u>	<u>52,565</u>	<u>90,481</u>	<u>37,916</u>
Total miscellaneous revenue	<u>41,920</u>	<u>81,065</u>	<u>111,475</u>	<u>30,410</u>
Total revenues	<u>9,189,745</u>	<u>9,283,036</u>	<u>9,600,441</u>	<u>317,405</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, 2012
(CONTINUED)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government				
Mayor and Council	\$ 146,639	\$ 150,039	\$ 145,500	\$ 4,539
Administration	313,925	326,720	247,467	79,253
Finance and accounting	207,820	207,820	197,912	9,908
Planning and zoning	217,656	217,656	213,564	4,092
General services	287,165	340,294	292,253	48,041
Personnel	191,810	191,810	174,563	17,247
Community promotion	1,200	1,200	605	595
Bad debts	-	-	50,602	(50,602)
Other	-	-	60,234	(60,234)
Total general government	<u>1,366,215</u>	<u>1,435,539</u>	<u>1,382,700</u>	<u>52,839</u>
Public Safety				
Police department:				
Police patrol	4,586,830	4,622,168	4,373,864	248,304
Support services	581,280	581,280	570,959	10,321
Total police department	<u>5,168,110</u>	<u>5,203,448</u>	<u>4,944,823</u>	<u>258,625</u>
Other Public Safety				
Volunteer fire department	144,060	148,682	145,513	3,169
Building inspection	420,960	420,960	410,072	10,888
Total other public safety	<u>565,020</u>	<u>569,642</u>	<u>555,585</u>	<u>14,057</u>
Total public safety	<u>5,733,130</u>	<u>5,773,090</u>	<u>5,500,408</u>	<u>272,682</u>
Public Works				
Sanitation and waste removal:				
Maintenance	2,124,875	2,449,861	2,153,376	296,485
Waste collection and disposal	780,000	780,000	724,153	55,847
Mosquito and weed control	5,000	5,000	5,040	(40)
Total public works	<u>2,909,875</u>	<u>3,234,861</u>	<u>2,882,569</u>	<u>352,292</u>
Recreation and Culture				
Parks and recreation	354,045	354,045	351,309	2,736
Debt Service				
Principal	236,140	236,140	230,127	6,013
Interest	66,605	66,605	71,929	(5,324)
Total debt service	<u>302,745</u>	<u>302,745</u>	<u>302,056</u>	<u>689</u>
Total expenditures	<u>10,666,010</u>	<u>11,100,280</u>	<u>10,419,042</u>	<u>681,238</u>
Excess of revenues over expenditures	<u>\$ (1,476,265)</u>	<u>\$ (1,817,244)</u>	<u>\$ (818,601)</u>	<u>\$ 998,643</u>

**TOWN OF ELKTON, MARYLAND
 COMBINING SCHEDULE OF FIDUCIARY NET ASSETS –
 TRUST FUNDS
 June 30, 2012**

	<u>Defined Contribution Plan</u>	<u>Police Pension Plan</u>	<u>Total Pension Trusts</u>
ASSETS			
Cash Equivalents	\$ 52,945	\$ 984,899	\$ 1,037,844
Investments			
Equity mutual funds	1,635,018	-	1,635,018
Fixed income mutual funds	<u>1,383,910</u>	<u>-</u>	<u>1,383,910</u>
Total investments	<u>3,018,928</u>	<u>-</u>	<u>3,018,928</u>
TOTAL ASSETS	<u>\$ 3,071,873</u>	<u>\$ 984,899</u>	<u>\$ 4,056,772</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 3,071,873</u>	<u>\$ 984,899</u>	<u>\$ 4,056,772</u>

TOWN OF ELKTON, MARYLAND
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS –
TRUST FUNDS
For the Fiscal Year Ended June 30, 2012

	<u>Defined Contribution Plan</u>	<u>Police Pension Plan</u>	<u>Total Pension Trusts</u>
ADDITIONS			
Employer contributions	\$ 188,339	\$ 346,235	\$ 534,574
Employee contributions	-	178,414	178,414
Investment gains	<u>46,100</u>	<u>66</u>	<u>46,166</u>
Total additions	234,439	524,715	759,154
DEDUCTIONS			
Benefit payments	68,060	6,422	74,482
Administrative fees	<u>-</u>	<u>2,769</u>	<u>2,769</u>
Total deductions	<u>68,060</u>	<u>9,191</u>	<u>77,251</u>
CHANGE IN NET ASSETS	166,379	515,524	681,903
NET ASSETS - BEGINNING OF YEAR	<u>2,905,494</u>	<u>469,375</u>	<u>3,374,869</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,071,873</u></u>	<u><u>\$ 984,899</u></u>	<u><u>\$ 4,056,772</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.

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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. 77-82

Revenue Capacity

These schedules contain information to help the reader assess the Town’s most significant revenue source, the property tax. 83-86

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. 87-88

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. 89-91

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. 92-93

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 ASSETS BY COMPONENT
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	<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									
Invested in Capital Assets, Net of Related Debt	\$ 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	1,635,859	1,753,528	1,750,415	1,691,173	1,150,146	1,732,410	1,358,844	615,076	829,371
Unrestricted	<u>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 Assets	<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									
Invested in Capital Assets, Net of Related Debt	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>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 Assets	<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									
Invested in Capital Assets, Net of Related Debt	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	1,635,859	1,753,528	1,750,415	1,691,173	1,150,146	1,732,410	1,358,844	615,076	829,371
Unrestricted	<u>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 Assets	<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

Note: Prior to fiscal year 2004, accrual basis of accounting was not maintained.

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

	<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	\$ 1,434,055	\$ 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	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	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	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	77,424	80,006	88,305	97,415	107,078	119,265	134,594	138,003	-
Total Governmental Activities Expenses	<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	2,195,489	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	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	37,059	-	2,318	4,102	50,137	8,690	150	11,630	729,279
Total Business-Type Activities Expenses	<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>\$ 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	\$ 252,188	\$ 212,921	\$ 311,931	\$ 235,063	\$ 310,551	\$ 239,627	\$ 469,841	\$ 447,358	\$ 430,242
Public Safety	104,042	133,122	162,834	148,325	159,879	80,570	71,004	25,741	42,622
Public Works	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	148,647	133,547	112,465	113,332	113,923	122,333	24,390	126,433	110,442
Operating Grants and Contributions	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>1,400,468</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	2,061,007	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	4,398,694	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	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	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>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>\$ 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 ASSETS
Last Nine Fiscal Years
(Accrual Basis of Accounting)
(Continued)

	<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	\$ (9,113,086)	\$ (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	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>\$ (8,931,367)</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 Assets									
Governmental Activities:									
Taxes									
Property Taxes	\$ 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	1,079,807	1,004,307	1,087,042	1,174,671	1,330,200	1,057,451	958,373	868,619	983,833
Investment Earnings	17,559	23,406	63,824	93,997	389,615	569,059	377,795	128,246	56,719
Miscellaneous	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>8,201,669</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	16,653	21,940	10,809	137,970	56,263	29,947	35,902	15,972	16,716
Transfers	-	-	-	-	-	-	-	55,815	55,815
Miscellaneous	166,340	135,429	-	-	-	-	81,953	-	-
Total Business-Type Activities	<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>\$ 8,384,662</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 Assets									
Governmental Activities	\$ (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	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 Assets	<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

Note: Prior to fiscal year 2004, accrual basis of accounting was not maintained.

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

Fiscal Year	Property Tax	Income Tax	Hotel/Motel Tax	Admission & Amusement Tax	Total
2012	\$ 6,860,083	\$ 1,079,807	\$ 167,660	\$ 33,346	\$ 8,140,896
2011	6,975,420	1,004,307	148,478	33,954	8,162,159
2010	6,654,704	1,226,587	130,262	59,058	8,070,611
2009	6,696,806	955,188	158,876	56,825	7,867,695
2008	6,601,548	1,453,359	163,838	80,811	8,299,556
2007	6,155,935	940,392	184,142	92,584	7,373,053
2006	5,600,250	958,373	161,611	122,545	6,842,779
2005	5,166,639	868,619	146,966	121,919	6,304,143
2004	4,617,985	812,656	146,720	146,151	5,723,512

Source: Town of Elkton Financial Statements

Note: Prior to fiscal year 2004, accrual basis of accounting was not maintained.

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

	<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>	<u>2003</u>
General Fund										
Restricted	\$ 1,596,605	\$ 1,753,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	1,500,000	1,500,000	-	-	-	-	-	-	-	-
Assigned	1,728,312	1,565,229	-	-	-	-	-	-	-	-
Unassigned	<u>3,256,172</u>	<u>4,080,933</u>	-	-	-	-	-	-	-	-
Total General Fund	<u>\$ 8,081,089</u>	<u>\$ 8,899,690</u>	<u>\$ -</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>	<u>2003</u>
General Fund										
Reserved	\$ -	\$ -	\$ 1,750,415	\$ 1,691,173	\$ 1,150,146	\$ 1,732,410	\$ 1,358,844	\$ 615,076	\$ 898,727	\$ 911,288
Unreserved	-	-	<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>	<u>413,812</u>
Total General Fund	<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>	<u>\$ 1,325,100</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)

	<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>	<u>2003</u>
Revenues										
Taxes	\$ 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	\$ 4,667,536
Licenses and permits	271,172	391,934	259,357	342,656	282,369	393,105	597,848	462,213	487,702	506,977
Intergovernmental	597,458	572,702	810,409	770,248	686,231	802,286	707,854	801,460	754,762	1,605,395
Charges for services	674,087	643,987	729,142	615,391	627,446	516,266	621,781	721,307	661,065	564,117
Fines and forfeitures	59,141	59,193	77,881	85,258	71,322	22,021	19,434	8,405	13,689	14,135
Investment revenues	17,559	23,406	63,824	93,997	389,615	569,059	377,795	128,246	56,719	71,414
Miscellaneous	93,916	171,778	176,659	45,510	100,738	56,517	187,853	117,557	157,210	121,891
Total Revenues	<u>9,600,441</u>	<u>9,574,280</u>	<u>10,112,521</u>	<u>10,063,533</u>	<u>10,805,649</u>	<u>9,941,078</u>		<u>8,929,950</u>	<u>8,343,318</u>	<u>7,551,465</u>
Expenditures										
General government	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	1,722,732
Public safety	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	2,565,026
Public works	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	2,431,931
Recreation and culture	351,309	374,548	437,043	598,160	396,559	374,760	432,119	318,977	268,936	347,851
Nondepartmental	-	-	89,124	10,336	6,470	27,601	7,872	14,576	24,690	75,869
Debt service	230,127									
Principal	71,929	222,041	219,293	301,222	323,745	450,153	375,239	268,892	481,987	180,375
Interest		80,006	88,305	97,415	107,172	119,761	134,927	142,495	150,654	180,167
Total Expenditures	<u>10,419,042</u>	<u>9,770,518</u>	<u>9,864,191</u>	<u>9,789,154</u>	<u>9,132,689</u>	<u>8,873,942</u>	<u>8,161,170</u>	<u>7,872,919</u>	<u>6,873,694</u>	<u>7,503,951</u>
Excess of revenues over (under) expenditures	(818,601)	(196,238)	248,330	274,379	1,672,960	1,067,136	(8,161,170)	1,057,031	1,469,624	47,514
Other financing sources (uses)										
Loan proceeds	-	-	-	-	-	-	-	265,368	-	550,000
Transfer out	-	-	-	-	-	-	-	(55,815)	(55,815)	-
Contribution by developer for debt service	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,553</u>	<u>(55,815)</u>	<u>550,000</u>
Net change in fund balances	<u>\$ (818,601)</u>	<u>\$ (196,238)</u>	<u>\$ 248,330</u>	<u>\$ 274,379</u>	<u>\$ 1,672,960</u>	<u>\$ 1,067,136</u>	<u>\$ (8,161,170)</u>	<u>\$ 1,266,584</u>	<u>\$ 1,413,809</u>	<u>\$ 597,514</u>
Debt service as a percentage of noncapital expenditures	3.18%	3.18%	3.27%	4.42%	5.28%	7.09%	6.86%	6.40%	12.29%	5.80%

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Income Tax</u>	<u>Highway Gas Tax</u>	<u>Hotel/Motel Tax</u>	<u>Admission & Amusement Tax</u>	<u>Total</u>
2012	\$ 6,471,646	\$ 1,079,807	\$ 134,649	\$ 167,660	\$ 33,346	\$ 7,887,108
2011	6,478,929	1,004,307	45,612	148,478	33,954	7,711,280
2010	6,496,101	1,226,587	83,241	130,262	59,058	7,995,249
2009	6,376,405	955,188	563,179	158,876	56,825	8,110,473
2008	6,354,773	1,453,359	595,147	163,838	80,811	8,647,928
2007	5,711,335	940,392	653,371	184,142	92,584	7,581,824
2006	5,359,744	958,373	762,332	161,611	122,545	7,364,605
2005	4,930,077	868,619	623,181	146,966	121,919	6,690,762
2004	4,609,225	812,656	497,419	146,720	146,151	6,212,171
2003	3,643,622	735,166	644,913	111,503	177,245	5,312,449

Source: Town of Elkton Financial Statements

TOWN OF ELKTON, MARYLAND
ASSESSED 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 (2)
	Taxable Assessed Value	Estimated Actual Value (1)	Tax Rate	Assessed Value	Estimated Actual Value (1)	Tax Rate	Assessed Value	Estimated Actual Value (1)	Amount	Percentage	
	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	
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%	0.506
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
2003	621,154,880	621,154,880	0.4440	83,834,330	83,834,330	1.110	704,989,210	704,989,210	89,187,499	14.48%	0.523

(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>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>	<u>2003</u>
Town of Elkton										
Real Property	\$0.4656	\$0.4734	\$0.4640	\$0.5040	\$0.5440	\$0.5440	\$0.5440	\$0.5440	\$0.5440	\$0.4440
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)	0.5080	0.5190	0.5060	0.5460	0.5870	0.5930	0.5980	0.6000	0.6050	0.5230
Cecil County	0.9401	0.9150	0.9400	0.9600	0.9600	0.9600	0.9600	0.9800	0.9800	0.9800
State of Maryland	<u>0.1120</u>	<u>0.1320</u>	<u>0.1320</u>	<u>0.1320</u>						
Total Tax Rate	<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>	<u><u>\$1.5560</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	2012				2003			
	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	\$ 22,995,800	\$ 15,000,000	\$ 37,995,800	2.98%	\$ 20,155,386	\$ 10,000,000	\$ 30,155,386	4.28%
Pine Valley, LLC	18,304,700	15,000,000	33,304,700	2.61%	12,656,466	10,000,000	22,656,466	0.00%
W.L. Gore & Associates, Inc.	26,961,100	88,610	27,049,710	2.12%	18,981,900	9,220	18,991,120	2.69%
Wal-Mart Real Estate Business Tr.	16,229,500	3,560,780	19,790,280	1.55%	3,942,962	1,001,930	4,944,892	0.70%
Elkton Associates	13,292,000	34,640	13,326,640	1.05%	5,268,264	9,910	5,278,174	0.00%
The Meadows at Elk Creek I, L.P.	12,291,500	-	12,291,500	0.96%	8,664,632	-	8,664,632	0.00%
Ashland, Inc.	11,310,600	-	11,310,600	0.89%	1,352,232	-	1,352,232	0.00%
Elkton Village, LLC	10,000,000	680	10,000,680	0.79%	9,841,726	-	9,841,726	1.40%
Southfield Park Center, LLC	1,104,300	8,246,040	9,350,340	0.73%	-	-	-	0.00%
Centrum-Elkton Limited Partnership	9,341,600	-	9,341,600	0.73%	5,338,400	-	5,338,400	0.76%
TOTAL	\$ 141,831,100	\$ 41,930,750	\$ 183,761,850	14.41%	\$ 86,201,968	\$ 21,021,060	\$ 107,223,028	9.83%

Source: Town of Elkton Finance Department.

Note: Taxpayer data for 2012 and 2003 was included only if it was one of the ten largest for 2012. The Town is aware that it is required to present the ten largest taxpayers during 2012 and 2003, however, the ten largest taxpayers during 2003 was not a required schedule in 2003, 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
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%
2003	3,630,026	3,456,047	95.21%	145,745	3,601,792	99.22%

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
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
2003	4,454,100	414,735	4,868,835	1.23%	358

(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	\$ 1,273,761,705
Debt limit 5.6%	71,330,655
Amount of debt applicable to debt limit	19,036,833
LEGAL DEBT MARGIN	\$ 52,293,822

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

	Net Debt Outstanding	Percentage Applicable to the Town	Share of Debt Outstanding
DIRECT DEBT OF THE TOWN	\$ 1,846,767	100.00%	\$ 1,846,767
Indirect debt:			
Cecil County	146,564,707 ²	13.30% ¹	19,493,106
TOTAL DIRECT AND OVERLAPPING DEBT	\$ 148,411,474		\$ 21,339,873

¹ Rate of assessed value in the Town
to total assessed value of the County

\$ 1,273,761,705
\$ 9,577,587,504

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
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%
2003	13,586	396,031,900	29,150	3,352	6.2%

- (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***

2012			
<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	3.58%	Medical Services
Cecil County Public Schools	600	2.15%	Elementary/Secondary Education
Cecil County Government	600	2.15%	Government Services
Terumo Medical/Cardiovascular	600	2.15%	Medical Products/ R&D
W.L. Gore & Associates, Inc.	400	1.43%	Gore-tex Products
Walmart Stores, Inc.	300	1.07%	Consumer Goods
Upper Bay Counseling	200	0.72%	Medical Services
Highway Service Ventures	175	0.63%	Truck Fueling Station
Acme Markets	160	0.57%	Grocery
Laurelwood Care Center	150	0.54%	Medical Services
Estes Express Lines	115	0.41%	Truck Terminal
TOTAL	<u>4,300</u>	<u>15.40%</u>	
Total Cecil County Employees (Data available for county only)	<u><u>27,928</u></u>		

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

* Current year only, data for 2003 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	<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>	<u>2003</u>
General Government										
Mayor and Council	5	5	5	5	5	5	5	5	5	5
Administration	3	4	5	4	4	3	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	1	1	1
Building Custodian	1	1	1	1	1	1	1	0	0	0
Public Safety										
Police										
Officers	43	43	44	43	43	38	36	36	36	34
Civilians	6	6	6	6	6	11	11	11	11	10
Building Inspection	6	6	6	8	8	8	8	7	7	6
Public Works	33	40	40	37	37	36	35	33	29	25
Sanitation	0	0	0	0	0	0	0	0	0	0
Parks and Recreation	3	4	4	4	4	4	3	2	3	3
Total	109	118	120	117	117	115	111	105	102	94

Source: Town of Elkton Fiscal Year Budgets

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

<u>Function</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>	<u>2003</u>
General Government										
Construction Permits Issued	41	43	18	21	23	71	175	194	299	419
Estimated Value of Construction	\$ 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	\$ 22,507,690
Public Safety										
Traffic Contacts	4,545	3,758	3,341	4,106	3,367	4,247	6,933	6,526	6,493	7,201
Calls for Service	33,713	31,645	30,257	26,646	25,257	22,181	19,695	17,614	19,254	18,410
Public Works										
Street Resurfacing (miles)	0.90	0.10	0.20	0.20	2.00	0.86	1.08	1.54	0.83	2.29
Sidewalk Replacement/Repair (miles)	0.50	0.10	0.50	0.50	0.50	0.39	0.53	0.47	0.13	1.64
Stormwater Ponds Managed	23	23	22	25	25	57	56	56	52	52
Recreation										
Number of Activity Sessions Offered										
Preschool Activities	67	62	59	58	72	63	60	37	36	42
Youth Activities	97	65	69	60	113	74	56	51	52	38
Adult Activities	5	7	17	16	13	20	8	7	6	7
Total Number of Activity Sessions Offered	169	134	145	134	198	157	124	95	94	87
Program Participants										
Preschool Activities	548	664	743	569	806	836	954	666	718	671
Youth Activities	1,811	1,358	1,333	1,244	1,112	1,243	718	925	1,052	1,110
Adult Activities	8	13	95	24	30	12	39	9	15	15
Total Program Participants	2,367	2,035	2,171	1,837	1,948	2,091	1,711	1,600	1,785	1,796
Water										
New Connections	31	20	32	19	51	79	133	312	170	219
Water Main/Lateral Breaks	48	74	69	40	25	35	26	55	44	33
Average Daily Consumption (millions of gallons)	1.477	1.657	1.563	1.590	1.590	1.690	1.642	1.677	1.538	1.470
Sewer										
Sewer Main/Lateral Breaks	11	5	0	1	5	5	10	13	14	8
Average Daily Sewage Treatment (millions of gallons)	1.804	1.805	1.867	1.700	1.420	1.650	1.634	1.693	1.880	1.834

Source: Various Town departments

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

<u>Function</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>	<u>2003</u>
General Information										
Area in Square Miles	8.20	8.20	8.15	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	33	31	31	29	28	23	23	23	27	25
Highways and Streets										
Streets (miles)	45.2	45.2	44.3	44.2	44.2	44.2	43.4	43.4	42.3	38.6
Storm Sewers (miles)	43.3	43.3	42	42	41	41	40	40	38	38
Catch Basins	1,658	1,658	1,590	1,590	1,576	864	842	834	801	789
Street Lights	591	591	579	579	579	579	554	502	502	502
Recreation and Culture										
Number of Parks/Playgrounds	4-Mar	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	6,686	6,655	6,635	6,603	6,482	6,383	6,304	6,171	5,859	5,689
Water Mains (miles)	75.8	75.8	74.3	74.2	74.2	74.2	73.3	72.5	68.8	63.4
Fire Hydrants	578	578	554	554	554	449	440	417	388	363
Wastewater										
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Maximum Daily Treatment Capacity (million gallons)	3.20	3.20	3.20	3.20	2.70	2.70	2.70	2.70	2.70	2.70
Pumping Stations	13	13	13	13	12	12	10	10	10	10
Sanitary Sewers (miles)	68.8	68.8	67.7	67.6	67.6	67.6	66.6	61.5	57.8	53.3

Source: Various Town departments

Note: Number of water pumping stations corrected for fiscal years 2001-2009.

