



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
June 30, 2014**

TOWN OF ELKTON, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
June 30, 2014



Prepared by: Town of Elkton Finance Department

Robert J. Alt, Mayor
Lewis H. George, Jr., Town Administrator
Steven H. Repole, Finance Director
A. Beth Moran, Assistant Finance Director

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Mayor and Commissioners
of the Town of Elkton

Robert J. Alt, Mayor

Lewis H. George, Jr.,
Town Administrator

Charles H. Givens, Sr., Commissioner
Mary Jo Jablonski, Commissioner
Earl M. Piner, Sr., Commissioner
Daniel R. VanReenen, Jr., Commissioner

February 26, 2015

To Mayor Robert J. Alt, Town Commissioners, and the Citizens of the Town of Elkton:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. An extension to that requirement can, and has, been requested of, and granted by, the Department of Legislative Services of the Maryland General Assembly. Pursuant to that requirement, we hereby issue this comprehensive annual financial report of the Town of Elkton for the fiscal year ended June 30, 2014.

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

The Town of Elkton's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Elkton as of and for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Elkton's financial statements as of and for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The Town of Elkton, established in 1787, is the County seat of Cecil County. The Town is situated on approximately 8.2 square miles and is located at the northern most reaches of the Chesapeake Bay, at the head of the Elk River near the Maryland/Delaware border. It is 51 miles from Baltimore, MD, 20 miles from Wilmington, DE, and approximately half-way between Baltimore, MD and Philadelphia, PA. Elkton is the governmental, commercial and employment center for Cecil County and serves a population of 15,443 per the 2010 Federal Census. As of July 1, 2013, the population was estimated at 15,718 by the United States Census Bureau. The Town is empowered to levy a property tax on real properties and all business tangible personal property within its boundaries and to charge user fees for services it provides. The Town is also empowered by State Statute to extend its corporate limits by annexation, which it has done from time to time.

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

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

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

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

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

Factors Affecting Financial Condition

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

Local Economy

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

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

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

The following schedule represents a substantial increase in the value of new construction permits issued during fiscal year 2014, led by the construction of a 53 unit affordable senior housing project.

Construction Permits Issued			
Fiscal Year	Number	Value	% Increase/ (Decrease)
2014	65	\$ 15,575,092	33.0%
2013	28	11,706,892	71.4%
2012	41	6,830,197	(54.4)%
2011	43	14,979,445	794.3%
2010	18	1,675,000	(72.7)%
2009	21	6,129,000	37.5%
2008	23	4,458,660	(71.1)%
2007	67	15,405,000	(2.5)%
2006	107	15,802,333	(45.3)%
2005	174	28,876,293	- %

Presently, the Town has 3,852 residential units and 25 commercial units in various stages of development that will benefit the Town well into the future. Because of the availability of 1.2 million gallons per day unused wastewater treatment capacity and up to 1.5 million gallons per day supplemental drinking water available from Artesian Water Maryland, Inc., the Town continues to be well positioned to provide the water and sewer needs for residential projects approved but not yet started.

Long-term Financial Planning

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

Toward that effort, the Town continues to fund the Elkton Chamber and Alliance which supports and promotes both local business and tourism. Participation with the Wilmington Area Planning Council continues as the Town actively pursues federal funding for a wide array of projects, the single largest being the reestablishment of train service to Elkton. The Maryland Transportation Authority is also involved in this effort.

Efforts continue in developing well water sources and improving the processing and distribution of water throughout the Town. The Town is committed to the development of new well houses, estimated at \$1 million, for the 2 most recently permitted wells. Additionally, Community Development Block Grant funding has been secured for the dredging of the raceway into the surface water treatment plant (\$227,000) and the renovation of the 500,000 gallon Walnut Hill water tower (\$449,000). These efforts demonstrate the Town's proactive commitment to having the necessary water infrastructure in place for future growth.

Financial Policies

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

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Elkton for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This is the tenth consecutive year the Town of Elkton has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Steven H. Repole
Finance Director



A. Beth Moran
Assistant Finance Director



Government Finance Officers Association

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

Presented to

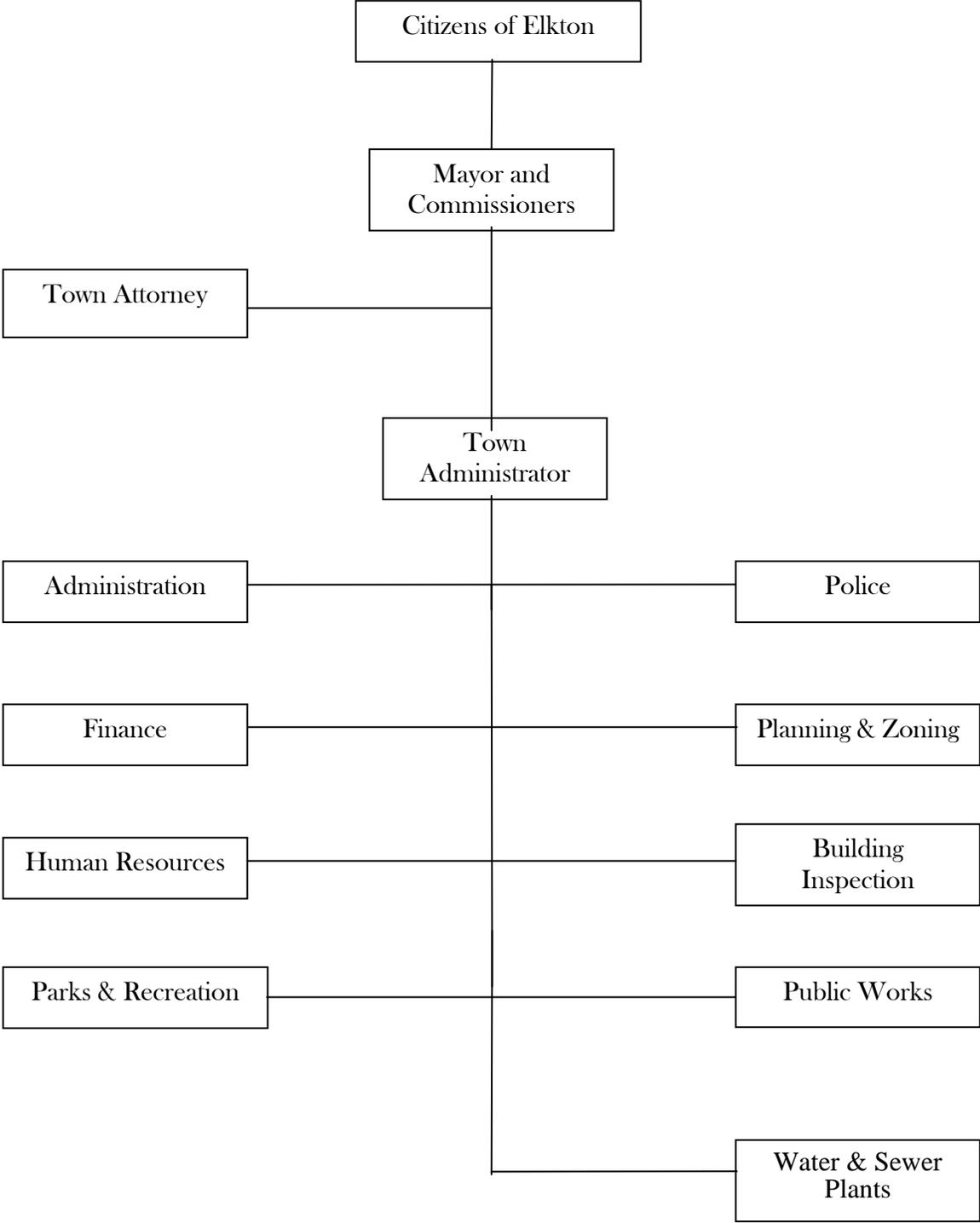
**Town of Elkton
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

**TOWN OF ELKTON, MARYLAND
ORGANIZATIONAL CHART**



TOWN OF ELKTON, MARYLAND

**CECIL COUNTY, MARYLAND
GOVERNMENT ORGANIZATION**

ELECTED AND APPOINTED OFFICIALS

AS OF JUNE 30, 2014

ELECTED OFFICIALS

Mayor
Commissioner
Commissioner
Commissioner
Commissioner

Robert J. Alt
Charles H. Givens, Sr.
Daniel R. VanReenen, Jr.
Mary Jo Jablonski
Earl M. Piner, Sr.

OTHER OFFICIALS

Town Administrator
Attorney

Lewis H. George, Jr.
John P. Downs

DEPARTMENT DIRECTORS

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

Steven H. Repole
Jeanne D. Minner
Laura A. Brown
Matthew J. Donnelly
Charles A. Bromwell
J. Daniel Handley
Mary C. Magaw
J. Kenneth Benner, Project
Manager, Severn Trent
Environmental Services, Inc.



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Commissioners
Town of Elkton, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Elkton, Maryland, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Elkton, Maryland as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2015 on our consideration of the Town of Elkton, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Elkton, Maryland's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
February 26, 2015

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

INTRODUCTION

As management of the Town of Elkton, Maryland, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. The Management's Discussion and Analysis (MD&A) is best understood if read in conjunction with the Transmittal Letter and the Town's basic financial statements. We encourage users to read it in conjunction with the Transmittal Letter at the front of this report and the Town's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FY 2014

The Town's assets exceeded its liabilities at the close of the 2014 fiscal year by approximately \$73.1 million (total net position). Approximately 79% of this amount is attributable to the Town's utilities (Water and Sewer). Of the total net position, \$18.2 million (unrestricted) may be used to meet ongoing obligations to citizens and creditors, and \$53.3 million is the investment in capital assets.

As of the close of the 2014 fiscal year, the Town's only governmental fund (General Fund) reported an ending fund balance of \$7.5 million. Of this total amount, \$4.5 million is unassigned and represents working capital available to support governmental operating needs and future years' expenditures. The unassigned fund balance for the General Fund is 39% of total expenditures and represents funding for less than five months of expenditures.

The General Fund, on a current financial resources basis, reported revenues in excess of expenditures and other financial sources and uses of approximately \$427,000.

The Town's total debt decreased by approximately \$1.2 million during the current fiscal year, from \$18.7 million to \$17.5 million. This is the result of the retirement of existing debt in the Governmental Activities of \$302,000 and the Business-Type Activity of \$1.1 million, offset by increases to other post employment benefit costs and compensated absences.

USING THIS ANNUAL REPORT

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

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

**TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

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

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

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

**Government-Wide
Financial Statements**
Provides information on governmental and business-type activities of the primary government.

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

Notes to Financial Statements
Provides a summary of significant accounting policies and related disclosures.

Required Supplementary Information

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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

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

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds:

Most of the Town's basic services are reported in one governmental fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. The fund is reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

government-wide statements, additional information is provided in a Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position, and a separate Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities. The Town of Elkton maintains only one major governmental fund (the General Fund).

Proprietary Funds:

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

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

Fiduciary Funds:

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

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The following tables present a summary of the Statement of Net Position for the Town as of June 30, 2014 and 2013, respectively:

NET POSITION - JUNE 30, 2014

	Governmental	Business-type	
	Activities	Activities	Total Activities
ASSETS			
Current and other assets	\$ 8,566,577	\$ 13,332,421	\$ 21,898,998
Non-current assets	31,847	-	31,847
Capital assets	9,721,825	60,211,173	69,932,998
Total assets	<u>18,320,249</u>	<u>73,543,594</u>	<u>91,863,843</u>
LIABILITIES			
Long-term liabilities outstanding	2,308,005	15,188,941	17,496,946
Other liabilities	524,790	696,321	1,221,111
Total liabilities	<u>2,832,795</u>	<u>15,885,262</u>	<u>18,718,057</u>
Net Position			
Net Investment in capital assets	8,150,505	45,159,910	53,310,415
Restricted	1,592,916	-	1,592,916
Unrestricted	5,744,033	12,498,422	18,242,455
TOTAL NET POSITION	<u>\$ 15,487,454</u>	<u>\$ 57,658,332</u>	<u>\$ 73,145,786</u>

NET POSITION - JUNE 30, 2013

	Governmental	Business-type	
	Activities	Activities	Total Activities
ASSETS			
Current and other assets	\$ 8,108,931	\$ 12,720,570	\$ 20,829,501
Non-current assets	54,421	-	54,421
Capital assets	10,289,147	59,995,437	70,284,584
Total assets	<u>18,452,499</u>	<u>72,716,007</u>	<u>91,168,506</u>
LIABILITIES			
Long-term liabilities outstanding	2,506,579	16,241,867	18,748,446
Other liabilities	609,374	835,434	1,444,808
Total liabilities	<u>3,115,953</u>	<u>17,077,301</u>	<u>20,193,254</u>
Net Position			
Net Investment in capital assets	8,415,967	43,871,729	52,287,696
Restricted	1,479,906	-	1,479,906
Unrestricted	5,440,673	11,766,977	17,207,650
TOTAL NET POSITION	<u>\$ 15,336,546</u>	<u>\$ 55,638,706</u>	<u>\$ 70,975,252</u>

TOWN OF ELKTON, MARYLAND
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The Town's assets exceeded its liabilities at the close of the 2014 fiscal year by \$73.1 million. Approximately \$53.3 million of the Town's net position reflect its investment in capital assets, (e.g., land, buildings, improvements, vehicles, furniture and equipment, infrastructure). The Town uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

Changes in Net Position

The following tables present a summary of the changes in net position for governmental and business-type activities for the years ending June 30, 2014 and 2013, respectively:

Changes in Net Position			
Fiscal Year Ending June 30, 2014			
	Governmental	Business-type	Total Activities
	Activities	Activities	Total Activities
REVENUES			
Program Revenues			
Charges for services	\$ 1,454,017	\$ 8,803,203	\$ 10,257,220
Operating grants and contributions	1,117,121	-	1,117,121
Capital grants and contributions	-	491,500	491,500
General Revenues			
Property taxes	8,020,517	-	8,020,517
State and County shared taxes	1,194,375	-	1,194,375
Investments earnings	5,410	9,387	14,797
Miscellaneous	111,562	148,809	260,371
Total revenues	11,903,002	9,452,899	21,355,901
Program Expenses			
General government	1,986,515	-	1,986,515
Public safety	5,947,504	-	5,947,504
Public works	3,311,832	-	3,311,832
Recreation and culture	446,737	-	446,737
Interest on long-term debt	59,506	-	59,506
Utilities and other proprietary funds	-	7,433,273	7,433,273
Total expenses	11,752,094	7,433,273	19,185,367
CHANGE IN NET POSITION	150,908	2,019,626	2,170,534
NET POSITION - BEGINNING OF YEAR	15,336,546	55,638,706	70,975,252
NET POSITION - END OF YEAR	\$ 15,487,454	\$ 57,658,332	\$ 73,145,786

TOWN OF ELKTON, MARYLAND
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Changes in Net Position
Fiscal Year Ending June 30, 2013

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

The Town's total revenues were \$21.4 million, an increase of approximately \$2.6 million. The majority of the overall increase, \$885,000, was attributable to an increase in property tax revenue. Operating grants and contributions increased by \$704,000 – a \$500,000 Community Development Block Grant (CDBG) and an increase in State Aid for Police Protection (SAPP) of \$121,000. Charges for services increased by \$460,000 - \$293,000 in Business-type activities and \$167,000 in Governmental activities. A \$437,000 increase in Capital grants and contributions was primarily due to a \$400,000 CDBG. The Town's total expenses were \$19.2 million, an increase of approximately \$900,000, or 4.9%. This increase was primarily due to a \$270,000 increase in utilities and other proprietary funds, \$258,000 increase in public works, a \$588,000 increase in general government, and a \$230,000 decrease in public safety.

TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Governmental Activities

General revenues for the governmental activities were \$9.3 million, while total expenses, net of charges for services and grants and contributions, were \$9.2 million.

Total revenues from governmental activities increased by \$1.8 million and total governmental activities expenses increased by \$633,000. The majority of the overall increase, \$885,000, was due to an increase in property tax revenue as a result of a 26% increase to the real property tax rate netted with an 11% decrease in total assessments. Operating grants and contributions increased by \$704,000, of which \$500,000 was from a CDBG for the purpose of a contribution toward the construction of a 53 unit affordable senior housing complex, \$121,000 was from an increase in SAPP funds as a result of the State restoring funds previously cut from the grant, and \$52,000 in Program Open Space funds were received for the purpose of constructing a playground and a dog park. The net effect of various increases and decreases in charges for services account for an additional increase in revenue of \$167,000.

Of the \$633,000 increase in expenses, \$258,000 is attributable to public works, due to capital outlay adjustments in FY 13 far exceeding those in FY 14. Additionally, there was an increase of \$588,000 in general government comprised primarily of \$500,000 CDBG grant expense for the purpose of construction of the senior housing complex, \$41,000 in facility maintenance and repairs for restoration of the historic Hollingsworth House due to water damage, and a \$15,000 increase in economic development activities. The increases are offset by a decrease of \$230,000 in public safety primarily due to decreases in salary and fringe benefits as a result of a large number of vacancies.

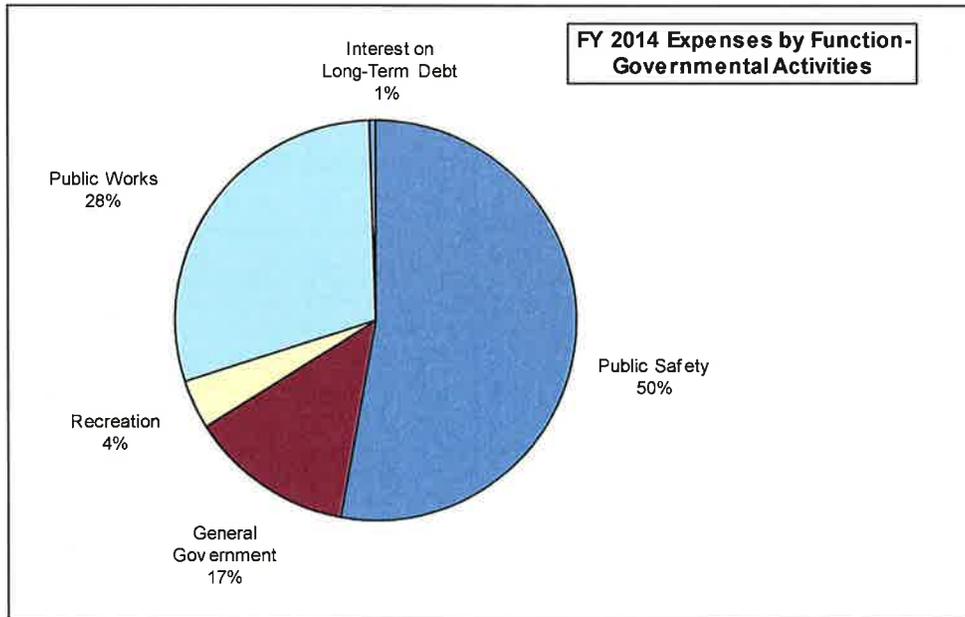
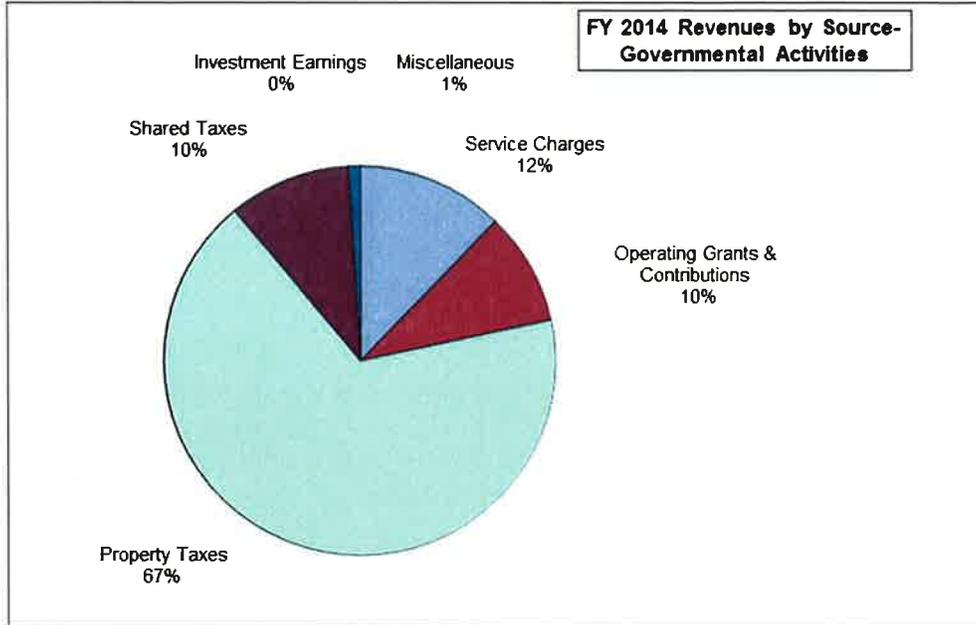
Business-type Activities

The total net position increased by \$2.0 million in business-type activities, or 3.6%. Total revenues for business-type activities increased by \$729,000, while expenses increased by \$270,000. The key elements include a \$400,000 CDBG for the renovation of the Belle Hill water tower, a \$513,000 increase in charges for services in the Water and Sewer Funds attributable to user fee rate increases of 3% and 4%, respectively, effective January, 2014, and a \$219,000 decrease in the Major Facility fees, due to a decrease in commercial construction activity.

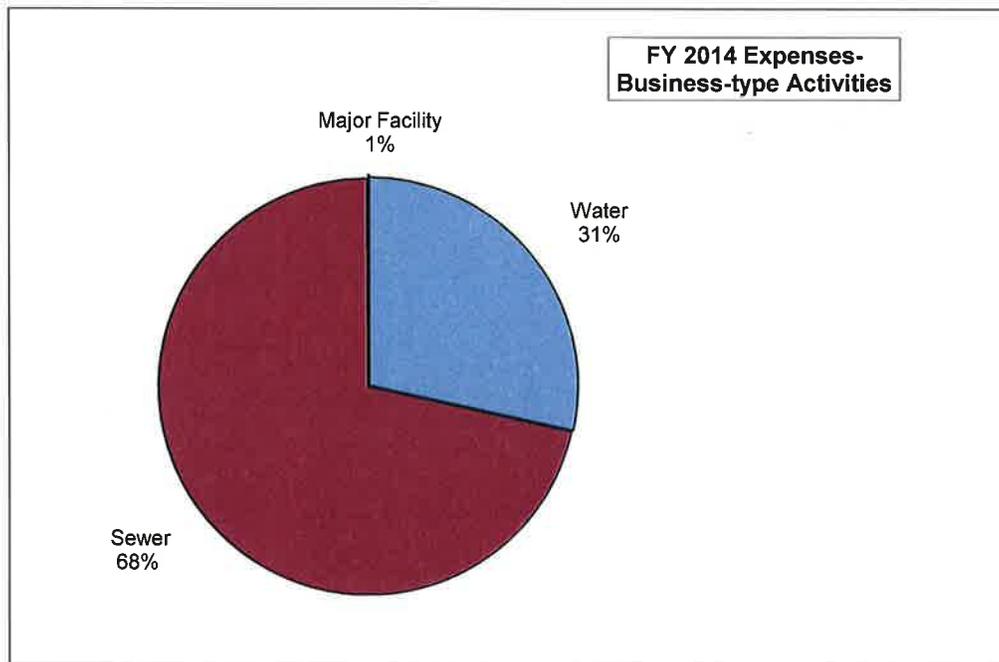
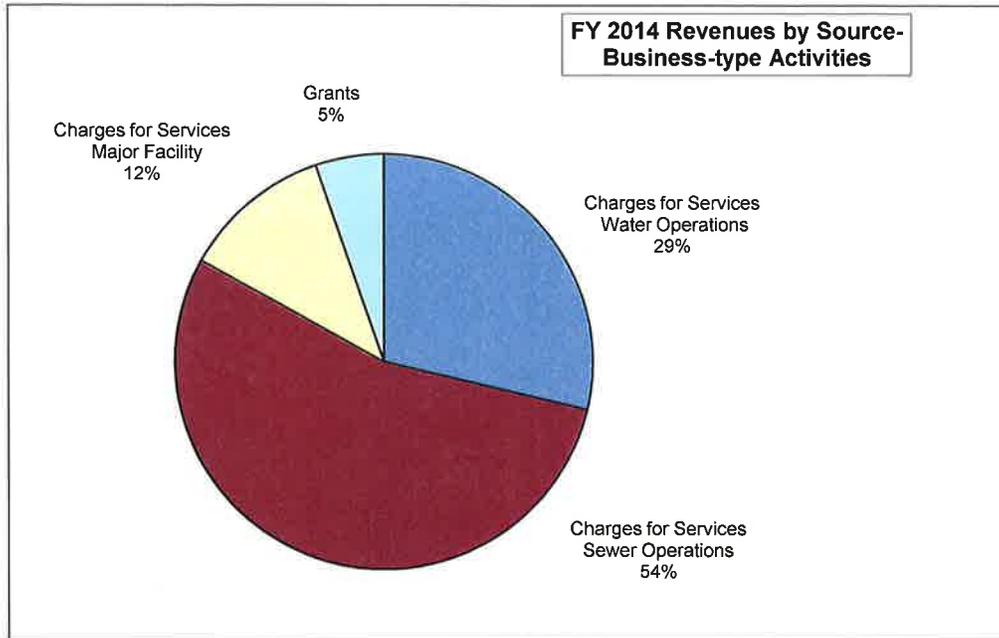
The \$270,000 net increase in expenses was primarily the result of four factors. First, \$212,000 for increased operational costs to the Town's water and wastewater treatment plants. Second, a \$93,000 increase for utility costs to operate the water and wastewater treatment plants. Third, \$52,000 was expended for maintenance to the raceway into the surface water treatment plant. And fourth, a \$123,000 decrease in the purchase of supplemental water due to a decrease in the contractually required minimum purchase from Artesian Water.

**TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
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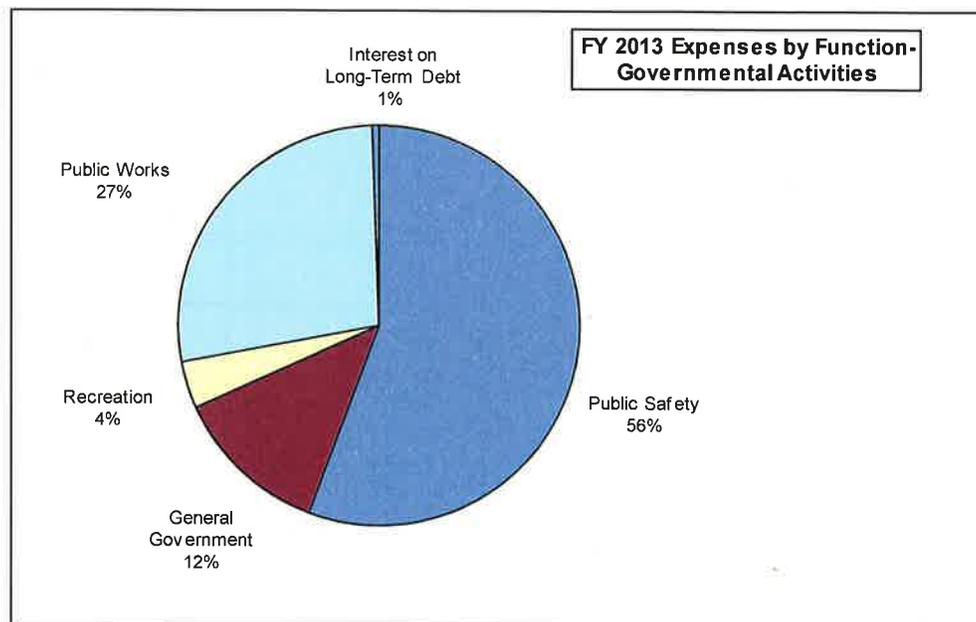
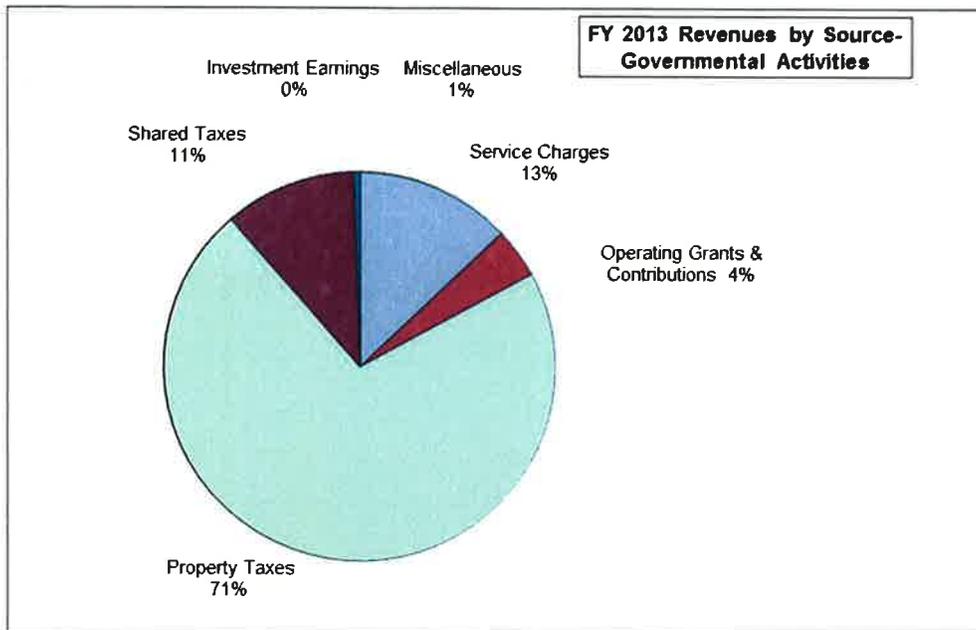
The following is a graphical presentation of the Town's revenues and expenses for the years ending June 30, 2014 and 2013:



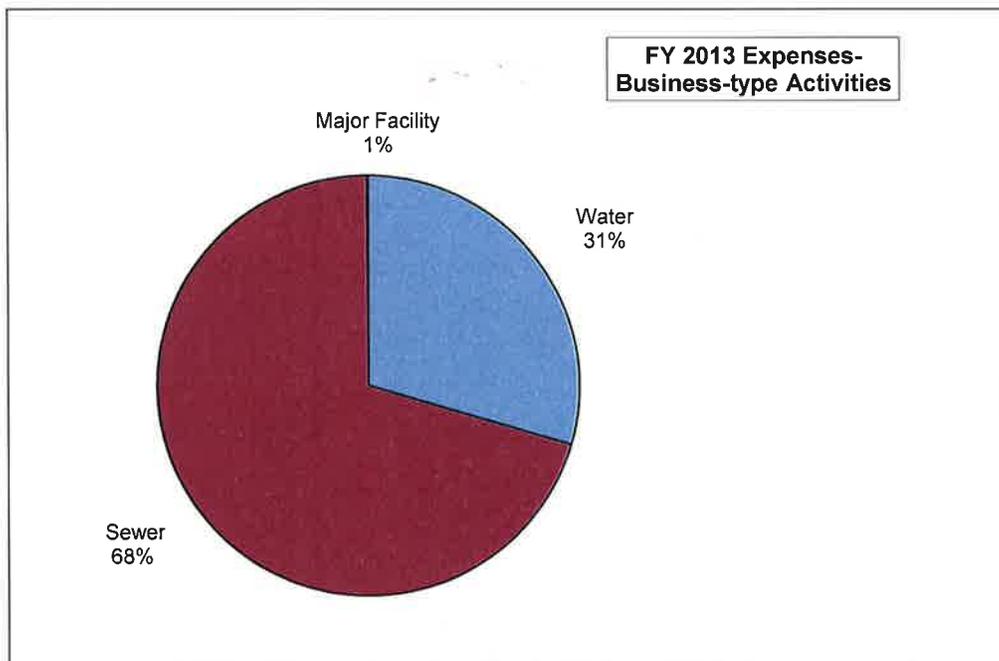
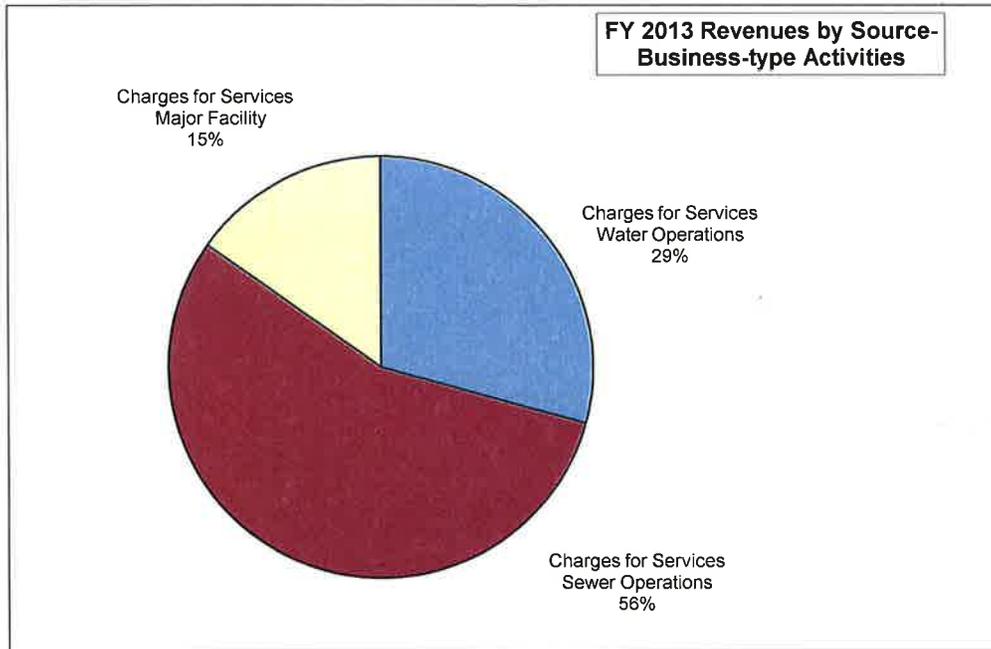
TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following tables present the costs and program revenues of each of the Town's activities and capital outlays for the years ending June 30, 2014 and 2013, respectively. The tables also show each activity's net cost (total cost less fees generated by the activities and program specific intergovernmental aid). The net cost shows the financial burden placed upon local taxpayers for each of these functions.

Net Cost of Activities
Year Ended June 30, 2014

	Expenses	Revenues	Net Expense (Revenue)
Governmental Activities			
General government	\$ 1,986,515	\$ 258,914	\$ 1,727,601
Public safety	5,947,504	1,151,782	4,795,722
Public works	3,311,832	952,627	2,359,205
Recreation and culture	446,737	207,815	238,922
Interest on long-term debt	59,506	-	59,506
Total governmental activities	<u>11,752,094</u>	<u>2,571,138</u>	<u>9,180,956</u>
Business-type Activities			
Major Facility	5,913	1,080,813	(1,074,900)
Water	2,115,753	3,066,718	(950,965)
Sewer	5,311,607	5,147,172	164,435
Total business-type activities	<u>7,433,273</u>	<u>9,294,703</u>	<u>(1,861,430)</u>
Total Governmental and Business-type Activities	<u>\$ 19,185,367</u>	<u>\$ 11,865,841</u>	<u>\$ 7,319,526</u>

Net Cost of Activities
Year Ended June 30, 2013

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

TOWN OF ELKTON, MARYLAND
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The cost of governmental activities this year was \$11.8 million, an increase of \$633,000. The overall increase was minimal, there were some fluctuations within the functions when compared to the prior year expenses. Public works increased by \$258,000, due to capital outlay adjustments in FY 13, far exceeding those in FY 14. There was an increase of \$588,000 in general government. Of this increase, \$500,000 was a CDBG grant expense, \$41,000 was for facility maintenance and repairs, \$28,000 for engineering costs in the planning department, and \$15,000 for economic development. A decrease of \$230,000 in public safety was attributable to the salary and fringe benefit savings from unfilled positions in the Elkton Police Department. Some of the cost of government activities was paid by those who directly benefited from the programs (\$1.5 million) and other governments and organizations that subsidized certain programs with grants and contributions (\$1.1 million). Taxpayers paid the remaining net cost of services of \$9.2 million.

The total cost of business-type activities this year was \$7.4 million, an increase of \$270,000 due primarily to an increase of \$272,000 in the Sewer Fund. This included a \$155,000 increase for the contractual operation of the wastewater treatment plant, \$74,000 increase for utility costs, \$64,000 increase in Bay Restoration fees, and an \$18,000 decrease for depreciation expense. Although there was an overall insignificant increase of \$1,900 in the Water Fund, there was a decrease of \$123,000 for the contractually required minimum purchase from Artesian Water offset by increases of \$58,000 for the contractual operation water treatment plant, \$52,000 for maintenance to the raceway into the surface water treatment plant, and \$19,000 for utility costs. The cost of the activities was primarily paid for by service charges, grants, and lease agreements. Water Fund revenues exceeded expenses by \$951,000. Sewer Fund expenses exceeded charges for services by \$164,000. The Major Facility Fund shows that charges for services were greater than expenses by \$1.1 million.

Financial Analysis of the Town's Funds

At year-end, the General Fund reported a combined fund balance of \$7.5 million, an increase from the previous year's \$7.1 million. This \$427,000 increase was primarily the result of net positive variances of \$379,000 during the year.

The Proprietary Funds Net Position increased by \$2.0 million. This was the result of \$623,000 operating income in the water fund and \$1.1 million in the major facility fund, combined with a operating loss of \$33,000 in the sewer fund, investment earnings and capital grant contributions of \$501,000, and interest expense of \$146,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$379,000, or 3.3% greater than the final budgeted amount, the result of positive variances of \$127,000 in total taxes, \$85,000 in intergovernmental revenue, \$78,000 in licenses and permits, \$70,000 in miscellaneous revenue, \$19,000 in charges for services, and \$1,000 in fines and forfeitures.

The positive variance of \$127,000 in total taxes is primarily due to positive variances of \$131,000 in real property tax and \$94,000 in local income tax, offset by a \$101,000 negative variance in business personal property tax. The positive variance in real property tax was the result of an underestimation of total assessments by the State Department of Assessments and Taxation. The positive variance in local income tax of \$94,000 is due to the fact that historically, that revenue source does not lend itself to accurate forecasting, thus, it is very conservatively budgeted. The negative variance in business personal property tax is related to the closing of a specialty chemical business. The positive variance in intergovernmental revenue of \$85,000 is primarily due to various grants obtained by the Elkton Police Department for operating supplies and overtime. The total positive variance of \$78,000 in licenses and permits is due to a positive variance of \$60,000 in building permits, led by \$26,000 for

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June 30, 2014

renovation and addition to Union Hospital, \$19,000 for a 53 unit affordable senior housing project, and \$6,000 for a new car dealership, and a \$19,000 positive variance in cable television franchise fees. The total \$70,000 positive variance in miscellaneous revenue was the result of an increase in 401A forfeitures of \$35,000, the receipt of unbudgeted rebates of \$24,000 for the medical loss ratio, and \$8,000 received for current and arrears raw water line easement for the recently reopened local golf course.

Actual expenditures were \$1,006,000, or 8.1%, less than the final budgeted amount. Each expenditure category had a positive variance with the exception of total debt service. The \$724,000 positive variance in Public Safety was attributable to salary and fringe benefit savings from positions budgeted, but not filled, for extended periods during the fiscal year. In addition, general services had a positive variance of \$58,000, of which \$29,000 was from insurance proceeds received but not fully expended for repairs to the historic Hollingsworth House, and \$17,000 from salary and benefits savings. The positive variance of \$194,000 in Public Works was also due to salary and fringe benefit savings from budgeted, but not filled, positions. The only negative variance, \$12,000 in Debt service, was due to the refinancing of a \$1.4 million loan finalized in April, 2014, and thus not effective for the entire fiscal year.

During the year, there was a \$675,173 increase in appropriations between the original and final amended budget. The following are the main components of the increase:

- A supplemental appropriation of a \$500,000 Community Development Block Grant for the North Street Senior Apartments project.
- A supplemental appropriation of \$67,307 to recognize insurance reimbursement for the repair of water damage to the historic Hollingsworth House.
- A supplemental appropriation to recognize revenue of \$52,000 from a Program Open Space grant for the purpose of providing a playground and dog park in Meadow Park East.
- A supplemental appropriation to recognize \$15,102 from fund balance for the Maryland Main Street Program.
- A supplemental appropriation to recognize \$ 14,520 from fund balance for the purpose of rebuilding the damaged Hermitage Drive wall.
- A supplemental appropriation to recognize revenue of \$10,872 from the forfeiture of seized funds for the funding of computerized traffic accident reconstruction equipment.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town of Elkton's capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2014, amounts to \$69.9 million. These capital assets include land, buildings, machinery and equipment (including vehicles), infrastructure (including park facilities, roads, highways and bridges) and construction in progress. The total decrease in the Town's capital assets for the current fiscal year was 0.5%, a 5.5% decrease for governmental activities and a 0.4% increase for business-type activities.

The following table presents capital assets (net of accumulated depreciation) by category for fiscal years ending June 30, 2014 and 2013, respectively:

Town of Elkton's Capital Assets						
(Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,657,608	\$ 2,657,608	\$ 865,270	\$ 865,270	\$ 3,522,878	\$ 3,522,878
Other improvements	2,436,813	2,709,124	-	-	2,436,813	2,709,124
Buildings	3,843,794	4,020,742	-	-	3,843,794	4,020,742
Plants, mains & other improvements	-	-	57,516,901	57,333,475	57,516,901	57,333,475
Equipment	596,865	720,925	749,892	697,071	1,346,757	1,417,996
Construction-in-progress	186,745	180,748	1,079,110	1,099,621	1,265,855	1,280,369
Total	<u>\$ 9,721,825</u>	<u>\$ 10,289,147</u>	<u>\$ 60,211,173</u>	<u>\$ 59,995,437</u>	<u>\$ 69,932,998</u>	<u>\$ 70,284,584</u>

Major capital asset events during the fiscal year ending June 30, 2014 included the following:

In the Town's governmental activities:

- Equipment purchased for the police department cost \$17,947.
- Equipment purchased for public works cost \$30,915.
- \$28,000 was spent on playground equipment for Meadow Park East.
- \$19,377 was spent on a dog park in Meadow Park East.
- Depreciation expense was \$674,117 for the year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

In the Town's business-type activities:

- Engineering and construction costs for the upgrade to the Warner Road/Muddy Lane sanitary sewer pump stations were \$824,868.
- \$163,541 was spent for engineering and testing to develop two additional groundwater sources.
- Engineering and construction costs for the rehabilitation of the Belle Hill Water Tower were \$540,899.
- \$81,578 was expended for the relocation of the Route 7 sewer force main.
- Engineering services for the dredging of the raceway into the surface water treatment plant cost \$19,501.
- \$30,627 was spent on the engineering of a new influent screen into the wastewater treatment plant.
- The purchase of a 2014 Ford F250 truck, a 2014 Ford F550 truck, and a Case 580 backhoe were split between the water and sewer funds for a total cost of \$182,890.
- Depreciation expense was \$1,658,454 for the year.

Additional information on the Town's capital assets can be found in Note 6 on pages 51-52 of this report.

Long-term Debt

At the end of fiscal year 2014, the Town of Elkton had \$16,622,583 in outstanding loans, compared to \$17,996,888 last year. The following chart compares the level of long-term debt for fiscal years 2014 and 2013, respectively:

Town of Elkton's Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Loans	<u>\$ 1,571,320</u>	<u>\$ 1,873,180</u>	<u>\$ 15,051,263</u>	<u>\$ 16,123,708</u>	<u>\$ 16,622,583</u>	<u>\$ 17,996,888</u>

The Town of Elkton's total debt decreased by \$1,374,305 during the current fiscal year. In compliance with debt amortization schedules, the Town made total debt repayments in Governmental Activities of \$301,860, and in Business-type Activities, \$1,072,445. The Town did not incur any new debt during fiscal year 2014. The Town did, however, refinance \$1.4 million of existing Governmental Activities debt.

Additional information on the Town's long-term debt can be found in Note 7 on pages 53-55 of this report.

**TOWN OF ELKTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Town is required, by Charter, to have a balanced budget each fiscal year and has always complied with this requirement. Annually, the Town develops and updates financial models for all of its major funds, which enables the Town to evaluate both short and long-term implications of proposed operational and capital decisions regarding Town finances.
- The fiscal year 2015 budget for the Town's only governmental fund, the General Fund, was adopted at \$480,328 less than the fiscal year 2014 final budget.
- For fiscal year 2015, the Town adopted \$0.5856 per \$100.00 of assessed value as the real property tax rate, \$0.0016 below the constant yield tax rate, generating \$17,000 less revenue.
- The water and sewer rates were unchanged for the start of fiscal year 2014, however, the water rate was decreased by 11% for the first 30,000 gallons of usage effective February, 2015, while the sewer rate remains unchanged.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

TOWN OF ELKTON, MARYLAND
STATEMENT OF NET POSITION
June 30, 2014

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,658,559	\$ 12,056,888	\$ 18,715,447
Accounts receivable, net	868,888	1,778,129	2,647,017
Other assets	190,719	-	190,719
Internal balances	502,596	(502,596)	-
Due from other governments	345,815	-	345,815
Non-current assets:			
Net pension asset	31,847	-	31,847
Capital assets, not being depreciated	2,844,353	1,944,380	4,788,733
Capital assets being depreciated, net of accumulated depreciation	<u>6,877,472</u>	<u>58,266,793</u>	<u>65,144,265</u>
Total position	<u>18,320,249</u>	<u>73,543,594</u>	<u>91,863,843</u>
LIABILITIES			
Current liabilities:			
Accounts payable	312,528	562,847	875,375
Accrued liabilities	212,262	98,088	310,350
Other liabilities	-	35,386	35,386
Non-current liabilities:			
Due within one year	428,867	1,096,440	1,525,307
Due in more than one year	<u>1,879,138</u>	<u>14,092,501</u>	<u>15,971,639</u>
Total liabilities	<u>2,832,795</u>	<u>15,885,262</u>	<u>18,718,057</u>
NET POSITION			
Net investment in capital assets	8,150,505	45,159,910	53,310,415
Restricted - Highways	1,255,788	-	1,255,788
Restricted - Sized funds	148,987	-	148,987
Restricted - Recreation and culture	188,141	-	188,141
Unrestricted	<u>5,744,033</u>	<u>12,498,422</u>	<u>18,242,455</u>
TOTAL NET POSITION	<u>\$ 15,487,454</u>	<u>\$ 57,658,332</u>	<u>\$ 73,145,786</u>

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

TOWN OF ELKTON, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 1,986,515	\$ 255,968	\$ 2,946	\$ -	\$ (1,727,601)	\$ -	\$ (1,727,601)
Public safety	5,947,504	89,607	1,062,175	-	(4,795,722)	-	(4,795,722)
Public works	3,311,832	952,627	-	-	(2,359,205)	-	(2,359,205)
Recreation and culture	446,737	155,815	52,000	-	(238,922)	-	(238,922)
Interest on long-term debt	59,506	-	-	-	(59,506)	-	(59,506)
Total governmental activities	11,752,094	1,454,017	1,117,121	-	(9,180,956)	-	(9,180,956)
Business-type activities							
Major facility	5,913	1,080,813	-	-	-	1,074,900	1,074,900
Water	2,115,753	2,666,718	-	400,000	-	950,965	950,965
Sewer	5,311,607	5,055,672	-	91,500	-	(164,435)	(164,435)
Total business-type activities	7,433,273	8,803,203	-	491,500	-	1,861,430	1,861,430
TOTAL PRIMARY GOVERNMENT	\$ 19,185,367	\$ 10,257,220	\$ 1,117,121	\$ 491,500	(9,180,956)	1,861,430	(7,319,526)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					8,020,517	-	8,020,517
Unrestricted state shared income taxes					1,194,375	-	1,194,375
Investment earnings					5,410	9,387	14,797
Miscellaneous					111,562	148,809	260,371
Total general revenues					9,331,864	158,196	9,490,060
CHANGE IN NET POSITION					150,908	2,019,626	2,170,534
NET POSITION - BEGINNING OF YEAR					15,336,546	55,638,706	70,975,252
NET POSITION - END OF YEAR					\$ 15,487,454	\$ 57,658,332	\$ 73,145,786

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

TOWN OF ELKTON, MARYLAND
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2014

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 6,658,559
Receivables, net	868,888
Other assets	190,719
Due from other governments	345,815
Due from other funds	<u>637,002</u>
TOTAL ASSETS	<u>\$ 8,700,983</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 312,528
Accrued liabilities	207,587
Due to other funds	<u>134,406</u>
Total liabilities	<u>654,521</u>
Deferred inflows of resources	
Unavailable tax revenue	<u>560,466</u>
Fund Balances	
Restricted	1,592,916
Committed	500,000
Assigned	937,037
Unassigned	<u>4,456,043</u>
Total fund balances	<u>7,485,996</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 8,700,983</u>

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

**TOWN OF ELKTON, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 7,485,996

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of these assets is \$27,953,158, and the accumulated depreciation is \$18,231,333. 9,721,825

Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. (2,308,005)

Accrued interest is not recorded in the governmental funds. (4,675)

Net pension asset, which is included in governmental activities in the statement of net position, is not an available resource, and therefore is not reported in the funds. 31,847

Certain receivables are offset by deferred inflows in the governmental funds since they are not available to pay for current-period expenditures. This is the amount of deferred inflows related to these receivables. 560,466

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 15,487,454

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

TOWN OF ELKTON, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General Fund
REVENUES	
Taxes and utility fees	\$ 9,103,130
Licenses and permits	344,897
Fines and forfeitures	31,385
Investment revenues	5,410
Charges for services	773,183
Intergovernmental	1,419,349
Miscellaneous	<u>167,918</u>
Total revenues	<u>11,845,272</u>
 EXPENDITURES	
Current operations:	
General government	1,888,716
Public safety	5,676,877
Public works	3,067,115
Recreation and culture	423,054
Debt service:	
Principal	301,860
Interest	<u>60,404</u>
Total expenditures	<u>11,418,026</u>
 NET CHANGE IN FUND BALANCE	 427,246
 FUND BALANCES - BEGINNING OF YEAR	 <u>7,058,750</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 7,485,996</u>

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

TOWN OF ELKTON, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2014

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 427,246
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated lives as depreciation expense. This is the amount by which depreciation expense (\$674,117) exceeds capital outlay (\$106,795).	(567,322)
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This amount represents the net increase in compensated absences liability.	(29,800)
Long-term debt repayments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of long-term debt repayments during 2014.	301,860
Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net increase in accrued interest.	898
Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenditures. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net increase in "unavailable" revenues at the end of the year over the amount at the beginning of the year.	114,086
OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.	(73,486)
Underpayment of the annual required pension contribution resulted in a decrease of the net pension asset which is reported in the Statement of Activities.	<u>(22,574)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 150,908</u>

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

**TOWN OF ELKTON, MARYLAND
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2014**

	Business-type Activities - Enterprise Funds			
	Major Facility	Water	Sewer	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,166,143	\$ 1,588,085	\$ 6,302,660	\$ 12,056,888
Receivables, net	136,500	584,400	1,057,229	1,778,129
Due from other funds	1,372,695	594,807	-	1,967,502
Total current assets	5,675,338	2,767,292	7,359,889	15,802,519
Non-current assets:				
Capital assets, net	-	7,686,343	52,524,830	60,211,173
Total assets	5,675,338	10,453,635	59,884,719	76,013,692
LIABILITIES				
Current liabilities:				
Accounts payable	6,906	101,287	454,654	562,847
Accrued expenses	-	16,289	81,799	98,088
Other liabilities	-	-	35,386	35,386
Due to other funds	218,943	-	2,251,155	2,470,098
Due within one year	-	7,538	1,088,902	1,096,440
Total current liabilities	225,849	125,114	3,911,896	4,262,859
Non-current liabilities:				
Due in more than one year	-	53,855	14,038,646	14,092,501
Total liabilities	225,849	178,969	17,950,542	18,355,360
NET POSITION				
Net investment in capital assets	-	7,686,343	37,473,567	45,159,910
Unrestricted	5,449,489	2,588,323	4,460,610	12,498,422
TOTAL NET POSITION	\$ 5,449,489	\$ 10,274,666	\$ 41,934,177	\$ 57,658,332

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

TOWN OF ELKTON, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			
	Major Facility	Water	Sewer	Total
OPERATING REVENUES				
Charges for services	\$ 1,080,813	\$ 2,666,718	\$ 5,055,672	\$ 8,803,203
Other operating revenues	-	2,220	-	2,220
Miscellaneous	-	69,416	77,173	146,589
Total operating revenues	<u>1,080,813</u>	<u>2,738,354</u>	<u>5,132,845</u>	<u>8,952,012</u>
OPERATING EXPENSES				
Cost of service	5,913	1,859,616	3,763,556	5,629,085
Depreciation	-	256,137	1,402,317	1,658,454
Total operating expenses	<u>5,913</u>	<u>2,115,753</u>	<u>5,165,873</u>	<u>7,287,539</u>
Operating income	<u>1,074,900</u>	<u>622,601</u>	<u>(33,028)</u>	<u>1,664,473</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment earnings	2,849	1,227	5,311	9,387
Interest expense	-	-	(145,734)	(145,734)
Total non-operating revenues (expenses)	<u>2,849</u>	<u>1,227</u>	<u>(140,423)</u>	<u>(136,347)</u>
Income before transfers and capital contributions	1,077,749	623,828	(173,451)	1,528,126
Capital contributions - grants	-	400,000	91,500	491,500
Transfers in (out)	<u>(1,091,025)</u>	<u>266,157</u>	<u>824,868</u>	<u>-</u>
CHANGES IN FUND NET POSITION	(13,276)	1,289,985	742,917	2,019,626
TOTAL NET POSITION - BEGINNING OF YEAR	<u>5,462,765</u>	<u>8,984,681</u>	<u>41,191,260</u>	<u>55,638,706</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 5,449,489</u>	<u>\$ 10,274,666</u>	<u>\$ 41,934,177</u>	<u>\$ 57,658,332</u>

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

TOWN OF ELKTON, MARYLAND
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			
	Major Facility	Water	Sewer	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,159,583	\$ 2,693,077	\$ 5,038,721	\$ 8,891,381
Payments to suppliers	(210,048)	(1,427,134)	(3,110,807)	(4,747,989)
Payments to employees	-	(370,083)	(551,852)	(921,935)
Net cash provided by operating activities	<u>949,535</u>	<u>895,860</u>	<u>1,376,062</u>	<u>3,221,457</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
(Advances) receipts from other funds	(1,091,025)	266,157	824,868	-
Proceeds from grants	-	400,000	91,500	491,500
Interest paid on capital debt	-	-	(145,734)	(145,734)
Acquisition and construction of capital assets	-	(845,672)	(1,028,517)	(1,874,189)
Principal payments of loans	-	-	(1,072,445)	(1,072,445)
Net cash used in capital and related financing activities	<u>(1,091,025)</u>	<u>(179,515)</u>	<u>(1,330,328)</u>	<u>(2,600,868)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from investment earnings	<u>2,849</u>	<u>1,227</u>	<u>5,311</u>	<u>9,387</u>
NET(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(138,641)</u>	<u>717,572</u>	<u>51,045</u>	<u>629,976</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,304,784</u>	<u>870,513</u>	<u>6,251,615</u>	<u>11,426,912</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,166,143</u>	<u>\$ 1,588,085</u>	<u>\$ 6,302,660</u>	<u>\$ 12,056,888</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,074,900	\$ 622,601	\$ (33,028)	\$ 1,664,473
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	256,137	1,402,317	1,658,454
Effects of changes in operating assets and liabilities:				
Accounts receivable	78,770	(45,277)	(94,124)	(60,631)
Accounts payable	(205,584)	713	55,635	(149,236)
Accrued expenses	-	1,925	2,421	4,346
Other liabilities	-	-	5,778	5,778
Interfund receivables	1,449	51,067	26,240	78,756
Compensated absences liability	-	2,041	3,123	5,164
Accrued liability for OPEB benefits	-	6,653	7,700	14,353
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 949,535</u>	<u>\$ 895,860</u>	<u>\$ 1,376,062</u>	<u>\$ 3,221,457</u>

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

TOWN OF ELKTON, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
June 30, 2014

	<u>Total Pension Trusts</u>
ASSETS	
Cash Equivalents	\$ 3,894,573
Investments	
Equity mutual funds	1,069,585
Fixed income mutual funds	<u>1,168,462</u>
Total Investments	<u>2,238,047</u>
TOTAL ASSETS	<u>\$ 6,132,620</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 6,132,620</u>

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

TOWN OF ELKTON, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
Year Ended June 30, 2014

	Total Pension Trusts
ADDITIONS	
Employer contributions	\$ 554,456
Employee contributions	192,731
Investment gains	<u>440,482</u>
Total additions	<u>1,187,669</u>
 DEDUCTIONS	
Benefit payments	119,827
Administrative fees	<u>3,561</u>
Total deductions	<u>123,388</u>
 CHANGE IN NET POSITION	 1,064,281
 NET POSITION - BEGINNING OF YEAR	 <u>5,068,339</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 6,132,620</u></u>

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

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

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

Government-Wide and Fund Financial Statements

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

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

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting is determined by its measurement focus. Government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized in the year of levy and grants are recognized when all eligibility requirements are met. For pension trust funds, employee and employer contributions are recognized as revenues in the period in which employee services are performed. All governmental, business-type activities and enterprise funds of the Town follow GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance* contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements which incorporates into GASB authoritative literature certain accounting and financial reporting guidance previously included in FASB, AICPA, and Accounting Principles Board Opinions (APB), guidance issued before November 30, 1989.

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 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 for sound financial administration. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and delivering goods in connection with the fund's principal ongoing operations such as charges to customers for sales and services and expenses such as salaries, product costs, administrative expenses, and depreciation.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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.

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

Use of Estimates in Preparing Financial Statements

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

Assets, Liabilities and Net Position or Fund Balance

Equity in Pooled Cash, Cash Equivalents and Investments

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

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Equity in Pooled Cash, Cash Equivalents and Investments (continued)

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

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

Receivables

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

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

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

Proprietary fund receivables are recorded as revenue when earned. The receivables of proprietary funds include billing for residential and commercial customers utilizing the Town’s water and sewer services. For fiscal year 2014, the Town’s water and sewer system customer base included a total of 6,725 water and 6,648 sewer accounts. All customers are billed on a quarterly basis with payment due in full within thirty days from the date of the billing. Delinquent accounts are subject to disconnection in addition to a \$25.00 service charge. Water and sewer rates are set by ordinance passed by the Mayor and Commissioners of the Town when deemed necessary.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Receivables (continued)

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

Capital Assets

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

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

Estimated useful lives are as follows:

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

Long-Term Obligations

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

Other Post-Employment Benefits (OPEB) – The Town provides health care benefits to retired employees and eligible retiree’s spouses. See Note 10 for a full description of the benefits. There has been no OPEB Trust established as of June 30, 2014.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Compensated Absences

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

Town ordinance provides that full-time employees may accumulate up to a maximum of twenty-four (24) days annual leave based upon years of service, and upon termination will be paid for all accumulated leave not to exceed that amount. The accrual is included in "Non-current liabilities" in the government-wide statements, and is \$339,010 with \$101,703 due within one year, and \$59,554 is included in the business-type activities, with \$17,866 due within one year. A liability for vacation pay is recorded in the governmental fund financial statements only if it has matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement).

Deferred Inflows and Outflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period, and so, will not be recognized as an inflow of resources (revenue) until the future period. For government-mandated and voluntary non-exchange transactions, a deferred inflow is reported when resources are received before time requirements are met. A deferred outflow of resources represents a consumption of net position that applies to a future period, and so, will not be recognized as an outflow of resources (expenditure) until the future period. At June 30, 2014, the Town recognized deferred inflows related to tax revenues not meeting the availability criteria under the modified accrual basis of accounting.

Net Position Reporting

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

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

Fund Balance Reporting

Fund balance classifications for governmental funds are based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The fund balance categories and descriptions are as follows:

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

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balance Reporting (continued)

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

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

Governmental Accounting Standards Board (GASB) Pronouncements

During the year, the Town adopted, the GASB issued Statement No. 65; *Items Previously Reported as Assets and Liabilities*, and Statement No. 67; *Financial Reporting for Pension Plans* - an amendment of GASB Statement No. 25. The adoption of these standards resulted in the presentation of deferred inflows and additional disclosures related to the Police Pension Plan.

Upcoming Accounting Pronouncements

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

- *Statement No. 68; Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* – The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pensions in which they are involved. This Statement will become effective for the June 30, 2015 year-end. The Town is currently evaluating the effect of implementation of this Statement.
- *Statement No. 69; Government Combinations and Disposals of Government Operations* – This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement will become effective for the June 30, 2015 year-end. The Town is currently evaluating the effect of implementation of this Statement.
- *Statement No. 71; Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68 – This Statement establishes a state or local government employer to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year. This Statement will become effective simultaneously with Statement No. 68 for the June 30, 2015 year-end. The Town is currently evaluating the effect of implementation of this Statement.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

Deposits

At year-end, the carrying amount of the Town deposits (excluding petty cash of \$123) was \$18,063,440, and the bank balance was \$19,270,308. 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, 2014.

Investments

At June 30, 2014, 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	** \$ 1,069,585	N/A	N/A
Fixed income mutual funds:			
Dreyfus Intermediate Term Inc. A	** 16,222	A	5.26
Nationwide Govt. Bond Instl. Svc.	** 53,920	AAA	4.75
Nationwide Fixed Account	** 1,087,989	N/A	N/A
Abrden Global Fixed Income Service	** 10,330	N/A	N/A
Money market funds	** 3,894,574	AAA	Less than 1
Maryland Local Govt. Investment Pool	<u>652,007</u>	AAAm	Less than 1
Total	<u><u>\$ 6,784,627</u></u>		

* Amount represents the average maturity of the underlying investments.

** Defined contribution plan participant directed investments.

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

Carrying amount of deposits	\$ 18,063,440
Carrying amount of investments	<u>6,784,627</u>
Total cash and investments	24,848,067
Less amounts in fiduciary funds	<u>6,132,620</u>
Total cash and cash equivalents per Statement of Net Position	<u><u>\$ 18,715,447</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, 2014, met the Town investment policy as of that date.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 State Legislature created MLGIP as part of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by PNC Institutional Investments. The pool has an AAAM rating from Standards and Poors and maintains a \$1.00 per share value. An MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the pool. The fair value of the pool is the same as the value of the pool shares.

Concentration of Credit Risk

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

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, 2014, all of the Town investments were insured or registered, or for which the securities were held by the Town or its agent in the Town's name or were invested in the MLGIP or mutual funds.

Foreign Currency Risk

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

NOTE 3 – RECEIVABLES

Summary of Receivables

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

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 – RECEIVABLES (CONTINUED)

	Governmental Activities	Business-type Activities				Total
		Major Facilities	Water	Sewer	Total	
Taxes	\$ 831,569	\$ -	\$ -	\$ -	\$ -	\$ 831,569
Accounts	426,416	136,500	584,400	1,057,229	1,778,129	2,204,545
Interest	4,511	-	-	-	-	4,511
Allowance for uncollectibles	<u>(393,608)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(393,608)</u>
Net receivables	<u>\$ 868,888</u>	<u>\$ 136,500</u>	<u>\$ 584,400</u>	<u>\$ 1,057,229</u>	<u>\$ 1,778,129</u>	<u>\$ 2,647,017</u>

Governmental funds report deferred inflows 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 result from 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 inflows for the general fund at June 30, 2014 consisted solely of items deemed unavailable, and is summarized as follows:

Personal property taxes	\$ 377,312
Real property taxes	154,079
Traders taxes	12,672
Income taxes	<u>16,402</u>
Total	<u>\$ 560,466</u>

NOTE 4 – DUE FROM OTHER GOVERNMENTS

The June 30, 2014 balance due from other governments is as follows:

	Governmental Activities
State of Maryland	
Income tax reserve	\$ 293,183
Highway user tax	31,391
Admission and amusement tax	2,454
Hotel/motel tax	<u>18,786</u>
Total	<u>\$ 345,815</u>

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from other funds consisted of the following:

Receivable fund:	Payable Fund				Total
	General	Water	Sewer	Major Facility	
General	\$ -	\$ -	\$ 606,403	\$ 30,599	\$ 637,002
Water	134,406	-	272,057	188,344	594,807
Sewer	-	-	-	-	-
Major Facility	-	-	1,372,695	-	1,372,695
Total	\$ 134,406	\$ -	\$ 2,251,155	\$ 218,943	\$ 2,604,504

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

Interfund transfers consisted of the following:

Transfers In	Transfers Out
	Major Facility
Water Fund	\$ 266,157
Sewer Fund	824,868
	\$ 1,091,025

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, 2014 was as follows:

	Beginning Balance	Additions	Transfers and Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 2,657,608	\$ -	\$ -	\$ 2,657,608
Construction in Progress	180,748	5,997	-	186,745
Total capital assets, not being depreciated	<u>2,838,356</u>	<u>5,997</u>	<u>-</u>	<u>2,844,353</u>
Capital assets being depreciated:				
Buildings	6,508,484	1,360	-	6,509,844
Improvements other than buildings	14,449,475	24,577	-	14,474,052
Equipment	4,050,048	74,861	-	4,124,909
Total capital assets, being depreciated	<u>25,008,007</u>	<u>100,798</u>	<u>-</u>	<u>25,108,805</u>
Less accumulated depreciation for:				
Buildings	2,487,742	178,308	-	2,666,050
Improvements other than buildings	11,740,351	296,888	-	12,037,239
Equipment	3,329,123	198,921	-	3,528,044
Total accumulated depreciation	<u>17,557,216</u>	<u>674,117</u>	<u>-</u>	<u>18,231,333</u>
Net capital assets being depreciated	<u>7,450,791</u>	<u>(573,319)</u>	<u>-</u>	<u>6,877,472</u>
Net governmental activities capital assets	\$ 10,289,147	\$ (567,322)	\$ -	\$ 9,721,825

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Land - Water	\$ 268,605	\$ -	\$ -	\$ 268,605
Land - Sewer	596,665	-	-	596,665
Construction in Progress - Water	602,642	193,639	-	796,281
Construction in Progress - Sewer	496,980	30,626	(244,777)	282,829
Total capital assets, not being depreciated	<u>1,964,892</u>	<u>224,265</u>	<u>(244,777)</u>	<u>1,944,380</u>
Capital assets, being depreciated:				
Plants, mains and improvements - Water	9,913,465	560,589	-	10,474,054
Plants, mains and improvements - Sewer	65,602,263	906,446	244,777	66,753,486
Equipment - Water	1,105,801	91,444	-	1,197,245
Equipment - Sewer	1,855,611	91,445	-	1,947,056
Total capital assets, being depreciated	<u>78,477,140</u>	<u>1,649,924</u>	<u>244,777</u>	<u>80,371,841</u>
Less accumulated depreciation:				
Plants, mains and improvements - Water	4,121,563	195,395	-	4,316,958
Plants, mains and improvements - Sewer	14,060,690	1,332,991	-	15,393,681
Equipment - Water	672,142	60,742	-	732,884
Equipment - Sewer	1,592,199	69,326	-	1,661,525
Total accumulated depreciation	<u>20,446,594</u>	<u>1,658,454</u>	<u>-</u>	<u>22,105,048</u>
Net capital assets being depreciated	<u>58,030,546</u>	<u>(8,530)</u>	<u>244,777</u>	<u>58,266,793</u>
Net business-type activities capital assets	<u>\$ 59,995,438</u>	<u>\$ 215,735</u>	<u>\$ -</u>	<u>\$ 60,211,173</u>

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

Governmental activities:	
General government	\$ 111,376
Public safety	267,360
Public works	244,718
Parks and recreation	<u>50,664</u>
Total governmental activities	<u>\$ 674,117</u>
Business-type activities:	
Water Fund	\$ 256,137
Sewer Fund	<u>1,402,317</u>
Total business-type activities	<u>\$ 1,658,454</u>

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 2014:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Loans	\$ 1,873,180	\$ -	\$ 301,860	\$ 1,571,320	\$ 327,164
Other post employment benefits	324,189	75,646	2,160	397,675	-
Compensated absences	<u>309,210</u>	<u>300,397</u>	<u>270,597</u>	<u>339,010</u>	<u>101,703</u>
Total governmental activities	<u>\$ 2,506,579</u>	<u>\$ 376,043</u>	<u>\$ 574,617</u>	<u>\$ 2,308,005</u>	<u>\$ 428,867</u>
BUSINESS-TYPE ACTIVITIES					
Sewer facility loan #1	\$ 11,815,979	\$ -	\$ 765,910	\$ 11,050,069	\$ 768,974
Sewer facility loan #2	<u>4,307,729</u>	<u>-</u>	<u>306,535</u>	<u>4,001,194</u>	<u>309,600</u>
Subtotal	16,123,708	-	1,072,445	15,051,263	1,078,574
Other post employment benefits	63,770	14,354	-	78,124	-
Compensated absences	<u>54,389</u>	<u>52,057</u>	<u>46,892</u>	<u>59,554</u>	<u>17,866</u>
Total business-type activities	<u>\$ 16,241,867</u>	<u>\$ 66,411</u>	<u>\$ 1,119,337</u>	<u>\$ 15,188,941</u>	<u>\$ 1,096,440</u>

The liability for pension-related and other post-employment benefits (OPEB) is fully liquidated by the general fund. For compensated absences, the general fund normally liquidates 100% of the governmental activities liability, and the sewer and water fund normally liquidate 100% of the business-type activities liability.

Governmental Activities

The Town has a loan for \$3,665,000 from a commercial bank. The loan has an interest rate of 2.35%, and a maturity date of April 2019. The loan repayment schedule requires monthly payments of principal and interest of \$24,898. 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>
2015	\$ 269,233	\$ 29,546	\$ 298,779
2016	275,659	23,121	298,779
2017	282,359	16,421	298,779
2018	289,160	9,619	298,779
2019	<u>246,278</u>	<u>2,704</u>	<u>248,982</u>
	<u>\$ 1,362,689</u>	<u>\$ 81,410</u>	<u>\$ 1,444,099</u>

The Town has a loan with PNC Bank related to the purchase of vehicles. The loan has an interest rate of 2.25%, and a maturity date of October 2017. The loan repayment schedule requires semi-annual payments of principal and interest of \$31,181.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 – LONG TERM DEBT (CONTINUED)

Governmental Activities (Continued)

Vehicles - \$296,000

<u>For the Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 57,931	\$ 4,432	\$ 62,363
2016	59,252	3,110	62,363
2017	60,619	1,743	62,363
2018	<u>30,829</u>	<u>353</u>	<u>31,181</u>
Total	\$ 208,631	\$ 9,638	\$ 218,269

Business-Type Activities

The Town has a \$15,600,000 revolving loan agreement with the Maryland Department of the Environment which has been entirely drawn, and \$11,050,069 remains outstanding at June 30, 2014. The loan has an interest rate of 0.4%, and a maturity date of February 2028.

Sewer Facility Upgrade - \$15,600,000

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 768,974	\$ 44,200	\$ 813,174
2016	772,050	41,124	813,174
2017	775,138	38,036	813,174
2018	778,238	34,936	813,174
2019	781,351	31,822	813,173
2020 - 2024	3,953,889	111,982	4,065,871
2025 - 2028	<u>3,220,429</u>	<u>32,271</u>	<u>3,252,700</u>
Total	\$ 11,050,069	\$ 334,371	\$ 11,384,440

The Town has a \$6,422,000 revolving loan agreement with the Maryland Department of the Environment, of which \$5,795,474 has been drawn, and \$1,794,279 has been repaid. The amount outstanding at June 30, 2014 was \$4,001,194. The loan has an interest rate of 1%, and a maturity date of February 2028.

Sewer Facility Upgrade - \$6,422,000

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 309,600	\$ 40,012	\$ 349,612
2016	312,696	36,916	349,612
2017	315,823	33,789	349,612
2018	318,982	30,631	349,613
2019	322,171	27,441	349,612
2020 - 2024	1,659,830	88,230	1,748,060
2025 - 2028	<u>762,092</u>	<u>12,569</u>	<u>774,661</u>
Total	\$ 4,001,194	\$ 269,587	\$ 4,270,781

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 – LONG TERM DEBT (CONTINUED)

Conduit Debt

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 \$2,158,240 at June 30, 2014.

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

Legal Debt Margin

The Town is subject to a legal debt margin of 5.6% of the total assessed value of taxable real and personal property. At June 30, 2014 that amount was \$66,823,346, and the outstanding debt subject to the limit was \$17,496,946, which is 26.2% of the total debt limit.

NOTE 8 – FUND BALANCE

Fund balance at June 30, 2014 consisted of the following:

Fund Balances	<u>General Fund</u>
Restricted for:	
Public safety	\$ 1,392,135
Recreation and culture	<u>200,781</u>
Total restricted	<u>1,592,916</u>
 Committed for:	
Recreation and culture - capital projects	<u>500,000</u>
 Assigned for:	
Recreation and culture	183,464
Non-departmental	<u>753,573</u>
Total assigned	<u>937,037</u>
Unassigned	<u>4,456,043</u>
Total fund balance	<u><u>\$ 7,485,996</u></u>

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 issues 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, 2014, 2013 and 2012 were \$13,048, \$10,257, and \$13,549, respectively, which were equal to the required contributions for each year.

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, 2014, there were sixty-two (62) plan members from the Town. Plan members do not have the option to make voluntary contributions to TEDCP. Plan provisions are established, amended and administered by the Mayor and Commissioners of the Town. The Town is required to contribute 8% of covered payroll of TEDCP participants. For the fiscal year ended June 30, 2014, actual contributions by the Town were \$199,635. TEDCP does not issue separate audited financial statements, as such, the Net Position as of June 30, 2014, and the changes in Net Position for the year ending June 30, 2014, are reflected in the Statement of Fiduciary Net Position and Changes in Fiduciary Net Position in the basic financial statements.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 – RETIREMENT AND PENSION PLANS (CONTINUED)

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

Investments

Equity mutual funds	\$ 1,069,585
Fixed income mutual funds	1,168,462
Money market funds	<u>245,979</u>
Total investments	<u>2,484,026</u>

NET POSITION

Held in trust for pension benefits	\$ <u>2,484,026</u>
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Statement of Changes in Plan Net Position
Town of Elkton, Defined Contribution Plan

ADDITIONS

Employer contributions	\$ 199,635
Investment gains	<u>440,222</u>
Total additions	639,857

DEDUCTIONS

Benefit payments	<u>119,827</u>
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TRANSFERS OUT

(1,578,051)

CHANGE IN NET POSITION

(1,058,021)

NET POSITION - BEGINNING OF YEAR

3,542,047

NET POSITION - END OF YEAR

\$ 2,484,026

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 2014, there were forty-one (41) plan members from the Town. Plan members are required to contribute 8% of their base salary. For the fiscal year ended June 30, 2014, actual contributions by the plan members were \$192,731. Plan provisions are established, amended and administered by the Mayor and Commissioners of the Town. During 2014, the Town was required to contribute an actuarially determined amount of \$377,395. For the fiscal year ended June 30, 2014, actual contributions by the Town were \$354,821. TEPPP does not issue separate audited financial statements, and as such, the Net Position as of June 30, 2014, and the changes in Net Position for the year ending June 30, 2014, are reflected in the Statement of Fiduciary Net Position and Changes in Fiduciary Net Position in the basic financial statements. Employees will be eligible to begin drawing their pension when they retire after 25 years of service or at age 60 with 10 years of service. The Plan does not provide early retirement benefits. TEPPP has a tax exempt status. TEPPP provides retirement and death benefits to plan members or the plan member's beneficiaries. Administrative costs of TEPPP are financed through investment earnings.

Basis of Accounting

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

The most current actuarial valuation was completed as of July 1, 2013. The membership data related to the Plan was as follows:

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

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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:

	FY2014
Annual required contribution	\$ 377,395
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	377,395
Actual contribution	354,821
Decrease in net pension asset	(22,574)
Net pension asset - beginning of year	54,421
Net pension asset - end of year	\$ 31,847

The annual required contribution was determined as part of the July 1, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included; (a) an annual inflation rate of 3%, (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):

Years Ended	Annual Required	Actual	Percentage
June 30,	Contribution	Contribution	Contributed
2014	\$ 377,395	\$ 354,821	94.02%
2013	336,227	351,934	104.67%
2012	306,981	346,235	112.79%

**TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 – RETIREMENT AND PENSION PLANS (CONTINUED)

Defined Benefit Plan (Continued)

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

ASSETS

Cash Equivalents	\$ 3,648,594
TOTAL ASSETS	\$ 3,648,594

NET POSITION

Held in trust for pension benefits	\$ 3,648,594
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Statement of Changes and Plan Net Position

ADDITIONS

Employer contributions	\$ 354,821
Employee contributions	192,731
Investment gains	260
Total additions	547,812

DEDUCTIONS

Benefit payments	-
Administrative fees	3,561
Total deductions	3,561

TRANSFERS IN	1,578,051
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CHANGE IN NET POSITION	2,122,302
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NET POSITION - BEGINNING OF YEAR	1,526,292
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NET POSITION - END OF YEAR	\$ 3,648,594
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TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 – RETIREMENT AND PENSION PLANS (CONTINUED)

Defined Benefit Plan (Continued)

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial 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, 2011	1,764,464 *	4,331,408	40.74%	2,566,944	2,283,084	112.43%
July 1, 2012	Bi-annual valuations are prepared, and as such, there is no information for this period.					
July 1, 2014	2,953,159	5,678,018	52.01%	2,724,859	2,365,531	115.19%

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

The Schedule of Funding Progress, presented as required supplementary information (RSI) on pages 66-67 following the Notes, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This relationship is represented by the funded ratio.

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

Fiscal Years Ended	Annual Required Contribution	Interest on NPO	APC Adjustment	Annual Pension Cost	Total Employer Contribution	Change in NPA	Beginning NPA	Ending NPA
2014	\$ 377,395	\$ -	\$ -	\$ 377,395	\$ 354,821	\$ (22,574)	\$ 54,421	\$ 31,847
2013	336,227	-	-	336,227	351,934	15,167	39,254	54,421
2012	306,981	-	-	306,981	346,235	39,254	-	39,254

Schedule of Employer Contributions

Years Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 377,395	\$ 354,821	94.02%
2013	336,227	351,934	104.67%
2012	306,981	346,235	112.79%

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 – RETIREMENT AND PENSION PLANS (CONTINUED)

Defined Benefit Plan (Continued)

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, 2013
Actuarial cost method	Projected unit credit
Amortization period	Level percentage of payroll
Remaining amortization period	20 years (closed)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	6% compounded annually
Projected disability increase	N/A
Projected payroll increases	3.5% per year
Salary valuation	36-month average highest pay
Post retirement cost-of-living adjustments	N/A

NOTE 10 – GASB 67 – FINANCIAL REPORTING FOR PENSION PLANS

The Town has adopted GASB Statement *No. 67, Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Statement enhances the Town’s footnote disclosures and expands the Required Supplemental Information (RSI) data with new schedules. It was issued to improve financial reporting by state and local government pension plans. The following provides information required to be disclosed under GASB Statement *No. 67* that is not discussed as part of the information disclosed in Note 9 previously.

Pension Plan Administration

The Mayor and Commissioners of the Town of Elkton established the Town of Elkton Police Pension Plan (the “Plan”) with the adoption of Ordinance 7 – 2010 on August 18, 2010. Under Section 2.28.430, the ordinance further established a Retirement Plan Committee (the “Committee”) consisting of the Town Administrator, Town Finance Director, and representative of the Elkton Police Fraternal Order of Police Lodge 124. The Committee has full power and authority to administer and operate the Plan in accordance with its terms and have full power and authority to deal with all persons in any matter directly connected with the Plan, including, but not limited to, investment advisors. The determination of the Committee on any matter pertaining to the Plan within the powers and discretion granted to it shall be final and conclusive.

Investment Policy

The Committee is responsible for administering the Investment Policy of the Plan and providing oversight for the management of the Plan’s assets. As of June 30, 2014, the Plan had not adopted a formal Investment Policy. Although there is no formal investment policy, the Committee seeks a target allocation of 60% equity and 40% fixed income securities. Investments are measured at fair market value, which are generally based on quoted market prices.

Concentrations

The Pension plan did not hold any investments (other than those issued or explicitly guaranteed by the U.S. Government) in any one organization that represents 5 percent or more of the pension plan’s fiduciary net positions at June 30, 2014.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 – GASB 67 – FINANCIAL REPORTING FOR PENSION PLANS (CONTINUED)

Net Pension Liability

The net pension liability of the trust as of June 30, 2014 was for measurement date June 30, 2014. It was as follows:

Net pension liability	\$ 6,977,476
Plan fiduciary net position	<u>(3,648,594)</u>
Net pension liability	<u>\$ 3,328,882</u>
Plan fiduciary net position as a percentage of the total pension liability	52.29%

Method and assumptions used to determine Net Pension Liability were as follows:

Valuation Date:	July 1, 2013*
Actuarial Cost Method:	Projected Unit Credit
Amortization Period:	Closed periods range from 17 to 20 years remaining as of the 2013 valuation
Asset Valuation Method:	Market value of Assets
Actuarial Assumptions:	
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation
Projected salary increases	6.0%, including inflation
Cost of living adjustments	None assumed
General inflation	3.00% per year
Retirement	Experience-based tables specific to the type of eligibility condition and years of service
Mortality rate	RP-2000 Combined Healthy tables with Blue Color adjustments and generational projection by Scale AA

*To calculate the Plan’s Total Pension Liability (TPL), the July 1, 2013 valuation was used to estimate the TPL as of June 30, 2014. The July 1, 2013 TPL was increased by service cost and interest on TPL and increased benefit payments during the year. If a change in the Plan was implemented, that amount was also reflected.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. This model assumes a 60% equity and 40% fixed income portfolio. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Town’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 – GASB 67 – FINANCIAL REPORTING FOR PENSION PLANS (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the discount rate of 7.50%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	Current Discount		1% Increase
	Range	1% Decrease	6.50%
	7.50%	8.50%	
Net pension liability	\$ 3,328,882	\$ 4,362,701	\$ 2,478,820

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS

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

Years of Service	Monthly Subsidy
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.

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

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

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

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

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

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.

Annual required contribution	\$ 92,000
Adjustment to annual required contribution	(17,000)
Interest on net OPEB obligation	15,000
Annual OPEB cost	90,000
Contributions made	2,161
Increase in net OPEB obligation	87,839
Net OPEB obligation - beginning of year	387,960
Net OPEB obligation - end of year	\$ 475,799

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

	FY 2014
Governmental activities	\$ 397,675
Business-type activities	78,124
Total net OPEB obligation	\$ 475,799

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 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 90,000	\$ 2,161	2%	\$ 475,799
2013	85,000	2,160	3%	387,959
2012	114,000	2,160	2%	305,120

Funded Status and Funding Progress: As of June 30, 2014, the Plan was 0% funded. The unfunded actuarial accrued liability (UAAL) is \$671,000. The covered payroll (annual payroll of active employees covered by the Plan) was \$5,409,450, and the ratio of the UAAL to the covered payroll was 12.40%.

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.

TOWN OF ELKTON, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Funded Status and Funding Progress (Continued)

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, 2011	\$ -	\$ 789,000	\$ 789,000	0%	\$ 5,479,531	14.40%
July 1, 2012	-	592,000	592,000	0%	5,647,544	10.48%
July 1, 2013	-	671,000	671,000	0%	5,409,450	12.40%

The Schedule of Funding Progress, presented as required supplementary information (RSI) on page 71 following the Notes, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This relationship is represented by the funded ratio.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce effects of term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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.

NOTE 12 – OTHER INFORMATION

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.

This information is an integral part of the financial statements.

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REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF ELKTON, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND
(NON-GAAP – BUDGETARY BASIS)
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes and utility fees	\$ 8,975,976	\$ 8,975,976	\$ 9,103,130	\$ 127,154
Licenses and permits	267,100	267,100	344,897	77,797
Intergovernmental	779,487	1,334,687	1,419,349	84,662
Charges for services	731,600	754,644	773,183	18,539
Fines and forfeitures	30,000	30,000	31,385	1,385
Miscellaneous	<u>36,200</u>	<u>103,507</u>	<u>173,328</u>	<u>69,821</u>
Total revenues	<u>10,820,363</u>	<u>11,465,914</u>	<u>11,845,272</u>	<u>379,358</u>
EXPENDITURES				
Current:				
General government	1,354,584	1,947,665	1,888,716	58,949
Public safety	6,385,458	6,401,030	5,676,877	724,153
Public works	3,246,440	3,260,960	3,067,115	193,845
Recreation and culture	411,555	463,555	423,054	40,501
Debt service	<u>350,638</u>	<u>350,638</u>	<u>362,264</u>	<u>(11,626)</u>
Total expenditures	<u>11,748,675</u>	<u>12,423,848</u>	<u>11,418,026</u>	<u>1,005,822</u>
Excess (deficiency) of revenues over expenditures before appropriated fund balance	<u>(928,312)</u>	<u>(957,934)</u>	<u>427,246</u>	<u>1,385,180</u>
Net change in fund balance	<u>\$ (928,312)</u>	<u>\$ (957,934)</u>	<u>427,246</u>	<u>\$ 1,385,180</u>
FUND BALANCES - BEGINNING OF YEAR			<u>6,595,021</u>	
FUND BALANCES - END OF YEAR			<u>\$ 7,022,267</u>	

**TOWN OF ELKTON, MARYLAND
SCHEDULE OF FUNDING PROGRESS –
OTHER POST EMPLOYMENT BENEFITS TRUST
Year Ended June 30, 2014**

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, 2011	\$ -	\$ 789,000	\$ 789,000	0%	\$ 5,479,531	14.40%
July 1, 2012	-	592,000	592,000	0%	5,647,544	10.48%
July 1, 2013	-	671,000	671,000	0%	5,409,450	12.40%

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

Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system is becoming. In this fiscal year, the UAAL as a percentage of covered payroll is 12.40%, up from 10.48% the year before.

Schedule of Employer Contributions

Years Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 377,395	\$ 354,821	94.02%
2013	336,227	351,934	104.67%
2012	306,981	346,235	112.79%

**TOWN OF ELKTON, MARYLAND
SCHEDULE OF FUNDING PROGRESS –
POLICE PENSION PLAN TRUST
June 30, 2014**

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

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (1)/(2) (3)	Unfunded AAL (UAAL) (2)-(1) (4)	Covered Payroll (5)	UAAL as a % of Covered Payroll ((2)- (1)/(5)) (6)
July 1, 2011	1,764,464 *	4,331,408	40.74%	2,566,944	2,283,084	112.43%
July 1, 2012	Bi-annual valuations are prepared, and as such, there is no information for this period.					
July 1, 2014	2,953,159	5,678,018	52.01%	2,724,859	2,365,531	115.19%

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

Analysis of the dollar amounts of plan Net Position, actuarial accrued liability, and unfunded actuarial liability in isolation can be misleading. Expressing the assets as a percentage of the actuarial accrued liability (Funded Ratio) provides one indication of the system's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system is becoming. In the July 1, 2013 actuarial valuation, the latest available, the Funded Ratio is 52.01%.

Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system is becoming. In the July 1, 2013 actuarial valuation, the latest available, the UAAL as a percentage of covered payroll is 115.19%.

TOWN OF ELKTON, MARYLAND
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
June 30, 2014

Total Pension Liability	
Service cost	\$ 349,000
Interest	462,000
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit Payments, Including Refunds	<u>-</u>
Net change in total pension liability	811,000
Total pension liability - beginning of year	<u>6,166,000</u>
Total pension liability - end of year	<u><u>\$ 6,977,000</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 355,000
Contributions - member	193,000
Net investment income	148,000
Benefit payments, including refunds	-
Admin. expenses	-
Other	<u>-</u>
Net change in plan fiduciary net position	696,000
Plan fiduciary net position - beginning of year	<u>2,953,000</u>
Plan fiduciary net position - end of year	<u><u>\$ 3,649,000</u></u>
Net pension liability - end of year	\$ 3,328,000
Plan fiduciary net position as a percentage of total pension liability	52.30%
Covered employee payroll	\$ 2,714,000
Net pension liability as a percentage of covered payroll	122.62%

TOWN OF ELKTON, MARYLAND
SCHEDULE OF EMPLOYER CONTRIBUTIONS, INVESTMENT RETURNS AND
EMPLOYER'S NET PENSION LIABILITY
June 30, 2014

Schedule of Employer Contributions*

FY Ending June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 377,395	\$ 354,821	\$ 22,574	\$ 2,365,531	15.00%
2013	\$ 336,227	\$ 351,394	\$ (15,167)	\$ 2,283,084	15.39%
2012	\$ 306,981	\$ 346,235	\$ (39,254)	\$ 2,283,084	15.17%
2011	\$ 306,981	\$ 306,981	\$ -	\$ 2,092,218	14.67%

Schedule of Employer's Net Pension Liability**

FY Ending June 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$ 6,977,476	\$ 3,648,594	\$ 3,328,882	52.29%	\$ 2,365,531	140.72%

* Initial plan year was fiscal year 2011, therefore information for previous years is not available for presentation.

** Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF ELKTON, MARYLAND
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2014

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, 2014. 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, 2014, 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>11,748,675</u>	\$ <u>12,423,848</u>	\$ <u>675,173</u>

NOTE 2 – LEGAL LEVEL OF BUDGETARY CONTROL

The Town maintains budgetary control at the departmental level of expenditure within the fund.

TOWN OF ELKTON, MARYLAND
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2014

NOTE 3 – BASIS OF BUDGETING

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

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

NOTE 4 – RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES

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

	<u>General Fund</u>		
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
GAAP basis	\$ 11,845,272	\$ 11,418,026	\$ 7,485,996
Internal loan balance repayments FY 2006 and prior	-	-	(463,729)
Total	<u>\$ 11,845,272</u>	<u>\$ 11,418,026</u>	<u>\$ 7,022,267</u>

OTHER SUPPLEMENTAL INFORMATION

TOWN OF ELKTON, MARYLAND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
(NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property:				
Real property	\$ 6,327,756	\$ 6,327,756	\$ 6,458,669	\$ 130,913
Traders	24,000	24,000	10,632	(13,368)
Railroads and public utilities	135,000	135,000	156,130	21,130
Ordinary business corporation	911,000	911,000	801,860	(109,140)
Payments in lieu of taxes	25,000	25,000	27,414	2,414
Penalties and Interest	40,000	40,000	38,654	(1,346)
Less:				
Abatements and collection fees	(80,000)	(80,000)	(72,120)	7,880
Volunteer Fire Co. rebates	(2,000)	(2,000)	(1,700)	300
Enterprise zone credits	(12,780)	(12,780)	(2,194)	10,586
Total property and real taxes	<u>7,367,976</u>	<u>7,367,976</u>	<u>7,417,345</u>	<u>49,369</u>
Other:				
Local income tax	1,100,000	1,100,000	1,194,375	94,375
Hotel/motel taxes	170,000	170,000	178,249	8,249
Highway gas tax	303,000	303,000	304,552	1,552
Admission and amusement	35,000	35,000	8,609	(26,391)
Total other taxes	<u>1,608,000</u>	<u>1,608,000</u>	<u>1,685,785</u>	<u>77,785</u>
Total taxes	<u>8,975,976</u>	<u>8,975,976</u>	<u>9,103,130</u>	<u>127,154</u>
Licenses and Permits				
Traders	39,000	39,000	37,032	(1,968)
Occupational	300	300	990	690
Building	49,800	49,800	109,422	59,622
Cable television	178,000	178,000	197,453	19,453
Total license and permits	<u>267,100</u>	<u>267,100</u>	<u>344,897</u>	<u>77,797</u>
Intergovernmental Revenues				
Federal:				
Grant - DOJ	-	3,200	48,528	45,328
Grant - Justice Assistance	12,415	12,415	20,666	8,251
Grant - GOCOP and COCPP	2,945	2,945	-	(2,945)
Grant- CHRP	158,000	158,000	159,298	1,298
Grant - CDBG	-	500,000	500,000	-
Total federal	<u>173,360</u>	<u>676,560</u>	<u>728,492</u>	<u>51,932</u>
State:				
Grant - State Police Aid	303,897	303,897	306,172	2,275
Grant - Open Space Program	-	52,000	52,000	-
Total state	<u>303,897</u>	<u>355,897</u>	<u>358,172</u>	<u>2,275</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, 2014
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES (Continued)				
Intergovernmental Revenues (Continued)				
Local:				
County tax differential	\$ 302,230	\$ 302,230	\$ 302,228	\$ (2)
DWI grant	-	-	18,937	18,937
Tobacco grant	-	-	374	374
Other	-	-	11,146	11,146
Total local	<u>302,230</u>	<u>302,230</u>	<u>332,685</u>	<u>30,455</u>
Total intergovernmental revenue	<u>779,487</u>	<u>1,334,687</u>	<u>1,419,349</u>	<u>84,662</u>
Charges for Services				
General government:				
Zoning and subdivision fees	23,580	23,580	19,948	(3,632)
Farmers Market user fee	300	300	545	245
Total general government	<u>23,880</u>	<u>23,880</u>	<u>20,493</u>	<u>(3,387)</u>
Public safety:				
Special police services	10,000	33,044	34,107	1,063
Highway and streets:				
Public parking facilities	25,000	25,000	24,115	(885)
Sanitation and waste removal:				
Solid waste	463,600	463,600	468,198	4,598
Landfill rebate	53,520	53,520	53,519	(1)
Other	-	-	16,936	16,936
Total sanitation and waste removal	<u>517,120</u>	<u>517,120</u>	<u>538,653</u>	<u>21,533</u>
Parks and recreation:				
Building use permits	148,100	148,100	149,465	1,365
Programs and events	7,500	7,500	6,350	(1,150)
Total parks and recreation	<u>155,600</u>	<u>155,600</u>	<u>155,815</u>	<u>215</u>
Total charges for services	<u>731,600</u>	<u>754,644</u>	<u>773,183</u>	<u>18,539</u>
Fines and Forfeitures				
Parking fines	30,000	30,000	31,385	1,385
Miscellaneous Revenue - Other				
Interest	16,700	16,700	5,410	(11,290)
Rent and concessions	4,500	4,500	3,200	(1,300)
Other miscellaneous revenues	15,000	82,307	164,718	82,411
Total miscellaneous revenue	<u>36,200</u>	<u>103,507</u>	<u>173,328</u>	<u>69,821</u>
Total revenues	<u>10,820,363</u>	<u>11,465,914</u>	<u>11,845,272</u>	<u>379,358</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, 2014
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
General Government				
Mayor and Council	\$ 149,550	\$ 164,652	\$ 151,744	\$ 12,908
Administration	279,910	283,907	270,579	13,328
Finance and accounting	192,270	192,270	178,612	13,658
Planning and zoning	255,824	255,824	250,409	5,415
General services	291,765	364,547	306,132	58,415
Personnel	184,365	185,565	174,266	11,299
Community promotion	900	500,900	500,618	282
Bad debts	-	-	56,356	(56,356)
Total general government	<u>1,354,584</u>	<u>1,947,665</u>	<u>1,888,716</u>	<u>58,949</u>
Public Safety				
Police department:				
Police patrol	5,171,690	5,184,062	4,545,088	638,974
Support services	<u>628,255</u>	<u>628,255</u>	<u>602,870</u>	<u>25,385</u>
Total police department	<u>5,799,945</u>	<u>5,812,317</u>	<u>5,147,958</u>	<u>664,359</u>
Other Public Safety				
Volunteer fire department	129,530	132,730	133,270	(540)
Building inspection	<u>455,983</u>	<u>455,983</u>	<u>395,649</u>	<u>60,334</u>
Total other public safety	<u>585,513</u>	<u>588,713</u>	<u>528,919</u>	<u>59,794</u>
Total public safety	<u>6,385,458</u>	<u>6,401,030</u>	<u>5,676,877</u>	<u>724,153</u>
Public Works				
Sanitation and waste removal:				
Maintenance	2,428,265	2,442,785	2,248,954	193,831
Waste collection and disposal	812,175	812,175	811,481	694
Mosquito and weed control	<u>6,000</u>	<u>6,000</u>	<u>6,680</u>	<u>(680)</u>
Total public works	<u>3,246,440</u>	<u>3,260,960</u>	<u>3,067,115</u>	<u>193,845</u>
Recreation and Culture				
Parks and recreation	<u>411,555</u>	<u>463,555</u>	<u>423,054</u>	<u>40,501</u>
Debt Service				
Principal	294,006	294,006	301,860	(7,854)
Interest	<u>56,632</u>	<u>56,632</u>	<u>60,404</u>	<u>(3,772)</u>
Total debt service	<u>350,638</u>	<u>350,638</u>	<u>362,264</u>	<u>(11,626)</u>
Total expenditures	<u>11,748,675</u>	<u>12,423,848</u>	<u>11,418,026</u>	<u>1,005,822</u>
Net change in fund balances	<u>\$ (928,312)</u>	<u>\$ (957,934)</u>	<u>\$ 427,246</u>	<u>\$ 1,385,180</u>

TOWN OF ELKTON, MARYLAND
COMBINING STATEMENT OF FIDUCIARY NET POSITION –
TRUST FUNDS
June 30, 2014

	<u>Defined Contribution Plan</u>	<u>Police Pension Plan</u>	<u>Total Pension Trusts</u>
ASSETS			
Cash Equivalents	\$ 245,979	\$ 3,648,594	\$ 3,894,573
Investments			
Equity mutual funds	1,069,585	-	1,069,585
Fixed income mutual funds	<u>1,168,462</u>	<u>-</u>	<u>1,168,462</u>
Total investments	<u>2,238,047</u>	<u>-</u>	<u>2,238,047</u>
TOTAL ASSETS	<u>\$ 2,484,026</u>	<u>\$ 3,648,594</u>	<u>\$ 6,132,620</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 2,484,026</u>	<u>\$ 3,648,594</u>	<u>\$ 6,132,620</u>

TOWN OF ELKTON, MARYLAND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
TRUST FUNDS
For the Fiscal Year Ended June 30, 2014

	<u>Defined Contribution Plan</u>	<u>Police Pension Plan</u>	<u>Total Pension Trusts</u>
ADDITIONS			
Employer contributions	\$ 199,635	\$ 354,821	\$ 554,456
Employee contributions	-	192,731	192,731
Investment gains	<u>440,222</u>	<u>260</u>	<u>440,482</u>
Total additions	<u>639,857</u>	<u>547,812</u>	<u>1,187,669</u>
DEDUCTIONS			
Benefit payments	119,827	-	119,827
Administrative fees	<u>-</u>	<u>3,561</u>	<u>3,561</u>
Total deductions	<u>119,827</u>	<u>3,561</u>	<u>123,388</u>
Transfers In (Out)	<u>(1,578,051)</u>	<u>1,578,051</u>	<u>-</u>
CHANGE IN NET POSITION	(1,058,021)	2,122,302	1,064,281
NET POSITION - BEGINNING OF YEAR	<u>3,542,047</u>	<u>1,526,292</u>	<u>5,068,339</u>
NET POSITION - END OF YEAR	<u>\$ 2,484,026</u>	<u>\$ 3,648,594</u>	<u>\$ 6,132,620</u>

**TOWN OF ELKTON, MARYLAND
STATISTICAL SECTION**

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

CONTENTS

Financial Trends

These schedules contain trend information to help the reader understand how the Town’s financial performance and well-being have changed over time. 84-90

Revenue Capacity

These schedules contain information to help the reader assess the Town’s most significant revenue source, the property tax. 91-93

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. 94-95

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. 96-98

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. 99-100

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

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 8,150,505	\$ 8,415,967	\$ 8,233,290	\$ 8,340,459	\$ 8,680,624	\$ 8,861,372	\$ 8,617,711	\$ 8,048,594	\$ 7,440,942	\$ 7,056,121
Restricted	1,592,916	1,479,906	1,635,859	1,753,528	1,750,415	1,691,173	1,150,146	1,732,410	1,358,844	615,076
Unrestricted	5,744,033	5,440,673	6,511,761	7,198,340	7,307,255	7,399,059	7,676,791	5,466,360	4,616,781	3,527,346
Total Governmental Activities Net Position	<u>15,487,454</u>	<u>15,336,546</u>	<u>16,380,910</u>	<u>17,292,327</u>	<u>17,738,294</u>	<u>17,951,604</u>	<u>17,444,648</u>	<u>15,247,364</u>	<u>13,416,567</u>	<u>11,198,543</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	45,159,910	43,871,729	43,740,141	44,093,304	45,745,259	45,618,628	44,233,408	37,635,942	25,292,678	23,949,573
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	12,498,422	11,766,977	10,337,719	9,619,844	3,980,435	4,631,762	3,840,616	1,258,862	6,117,007	4,302,887
Total Business-Type Activities Net Position	<u>57,658,332</u>	<u>55,638,706</u>	<u>54,077,860</u>	<u>53,713,148</u>	<u>49,725,694</u>	<u>50,250,390</u>	<u>48,074,024</u>	<u>38,894,804</u>	<u>31,409,685</u>	<u>28,252,460</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt	53,310,415	52,287,696	51,973,431	52,433,763	54,425,883	54,480,000	52,851,119	45,684,536	32,733,620	31,005,694
Restricted	1,592,916	1,479,906	1,635,859	1,753,528	1,750,415	1,691,173	1,150,146	1,732,410	1,358,844	615,076
Unrestricted	18,242,455	17,207,650	16,849,480	16,818,184	11,287,690	12,030,821	11,517,407	6,725,222	10,733,788	7,830,233
Total Primary Government Net Position	<u><u>\$ 73,145,786</u></u>	<u><u>\$ 70,975,252</u></u>	<u><u>\$ 70,458,770</u></u>	<u><u>\$ 71,005,475</u></u>	<u><u>\$ 67,463,988</u></u>	<u><u>\$ 68,201,994</u></u>	<u><u>\$ 65,518,672</u></u>	<u><u>\$ 54,142,168</u></u>	<u><u>\$ 44,826,252</u></u>	<u><u>\$ 39,451,003</u></u>

Source: Town of Elkton Financial Statements

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses										
Governmental Activities:										
General Government	\$ 1,986,515	\$ 1,398,465	\$ 1,434,055	\$ 1,420,063	\$ 1,618,781	\$ 1,438,869	\$ 1,222,709	\$ 1,331,471	\$ 1,244,526	\$ 1,197,420
Public Safety	5,947,504	6,177,765	5,681,640	5,243,295	4,899,948	4,889,321	4,127,085	3,867,097	3,428,692	2,926,486
Public Works	3,311,832	3,053,786	2,883,683	3,028,570	3,156,622	2,747,042	2,711,567	2,577,208	2,667,431	2,678,693
Recreation and Culture	446,737	425,725	376,518	413,617	296,808	392,628	404,967	392,558	310,657	256,829
Administration	-	-	-	-	89,124	10,336	6,470	27,601	7,872	14,576
Legal settlement	-	-	60,234	-	-	-	-	-	-	-
Interest on Long-Term Debt	59,506	63,693	77,424	80,006	88,305	97,415	107,078	119,265	134,594	138,003
Total Governmental Activities Expenses	<u>11,752,094</u>	<u>11,119,434</u>	<u>10,513,554</u>	<u>10,185,551</u>	<u>10,149,588</u>	<u>9,575,611</u>	<u>8,579,876</u>	<u>8,315,200</u>	<u>7,793,772</u>	<u>7,212,007</u>
Business-Type Activities:										
Water	2,115,753	2,113,851	2,195,489	2,029,079	1,688,839	1,551,657	1,473,172	1,331,282	1,215,680	1,036,791
Sewer	5,311,607	5,039,853	4,795,616	4,593,132	4,582,652	4,156,226	3,158,557	2,589,385	2,233,456	1,962,529
Major Facility	5,913	9,377	37,059	-	2,318	4,102	50,137	8,690	150	11,630
Total Business-Type Activities Expenses	<u>7,433,273</u>	<u>7,163,081</u>	<u>7,028,164</u>	<u>6,622,211</u>	<u>6,273,809</u>	<u>5,711,985</u>	<u>4,681,866</u>	<u>3,929,357</u>	<u>3,449,286</u>	<u>3,010,950</u>
Total Primary Government Expenses	<u>\$ 19,185,367</u>	<u>\$ 18,282,515</u>	<u>\$ 17,541,718</u>	<u>\$ 16,807,762</u>	<u>\$ 16,423,397</u>	<u>\$ 15,287,596</u>	<u>\$ 13,261,742</u>	<u>\$ 12,244,557</u>	<u>\$ 11,243,058</u>	<u>\$ 10,222,957</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 255,968	\$ 294,186	\$ 252,188	\$ 212,921	\$ 311,931	\$ 235,063	\$ 310,551	\$ 239,627	\$ 469,841	\$ 447,358
Public Safety	89,607	74,524	104,042	133,122	162,834	148,325	159,879	80,570	71,004	25,741
Public Works	952,627	740,035	634,172	661,136	562,391	1,109,764	991,931	1,142,233	1,436,160	1,215,574
Recreation and Culture	155,815	178,109	148,647	133,547	112,465	113,332	113,923	122,333	24,390	126,433
Operating Grants and Contributions	1,117,121	412,730	261,419	241,615	302,696	305,576	299,958	402,205	286,443	417,204
Capital Grants and Contributions	-	-	-	-	178,967	176,965	111,010	160,400	203,901	187,622
Total Governmental Activities Program Revenues	<u>2,571,138</u>	<u>1,699,584</u>	<u>1,400,468</u>	<u>1,382,341</u>	<u>1,631,284</u>	<u>2,089,025</u>	<u>1,987,252</u>	<u>2,147,368</u>	<u>2,491,739</u>	<u>2,419,932</u>
Business-Type Activities:										
Charges for Services:										
Water	2,666,718	2,507,773	2,061,007	1,633,718	1,408,758	1,439,483	1,502,709	1,492,154	1,490,092	1,139,601
Sewer	5,055,672	4,701,891	4,398,694	4,249,165	3,989,796	4,084,152	3,971,606	3,426,612	2,773,260	2,061,510
Major Facility	1,080,813	1,300,250	670,299	1,683,775	339,750	645,150	740,251	1,317,557	2,317,050	2,212,500
Other Operating Revenues	-	-	-	-	-	-	-	-	19,884	22,902
Grant Revenues	491,500	54,900	79,883	2,885,638	-	1,581,596	7,590,257	5,148,206	-	160,660
Miscellaneous	-	-	-	-	-	-	-	-	-	20,801
Total Business-Type Activities Program Revenues	<u>9,294,703</u>	<u>8,564,814</u>	<u>7,209,883</u>	<u>10,452,296</u>	<u>5,738,304</u>	<u>7,750,381</u>	<u>13,804,823</u>	<u>11,384,529</u>	<u>6,600,286</u>	<u>5,617,974</u>
Total Primary Government Program Revenues	<u>\$ 11,865,841</u>	<u>\$ 10,264,398</u>	<u>\$ 8,610,351</u>	<u>\$ 11,834,637</u>	<u>\$ 7,369,588</u>	<u>\$ 9,839,406</u>	<u>\$ 15,792,075</u>	<u>\$ 13,531,897</u>	<u>\$ 9,092,025</u>	<u>\$ 8,037,906</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (9,180,956)	\$ (9,419,850)	\$ (9,113,086)	\$ (8,803,210)	\$ (8,518,304)	\$ (7,486,586)	\$ (6,592,624)	\$ (6,167,832)	\$ (5,302,033)	\$ (4,792,075)
Business-Type Activities	1,861,430	1,401,733	181,719	3,830,085	(535,505)	2,038,396	9,122,957	7,455,172	3,151,000	2,607,024
Total Primary Government Net Expense	<u>\$ (7,319,526)</u>	<u>\$ (8,018,117)</u>	<u>\$ (8,931,367)</u>	<u>\$ (4,973,125)</u>	<u>\$ (9,053,809)</u>	<u>\$ (5,448,190)</u>	<u>\$ 2,530,333</u>	<u>\$ 1,287,340</u>	<u>\$ (2,151,033)</u>	<u>\$ (2,185,051)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	\$ 8,020,517	\$ 7,135,947	\$ 7,061,089	\$ 7,157,852	\$ 6,983,569	\$ 6,693,024	\$ 6,969,356	\$ 6,315,601	\$ 5,884,406	\$ 5,435,524
State and County Shared Taxes	1,194,375	1,078,655	1,079,807	1,004,307	1,087,042	1,174,671	1,330,200	1,057,451	958,373	868,619
Investment Earnings	5,410	15,654	17,559	23,406	63,824	93,997	389,615	569,059	377,795	128,246
Miscellaneous	111,562	145,230	43,214	171,678	170,559	31,850	100,737	56,518	187,853	117,557
Transfers	-	-	-	-	-	-	-	-	-	(55,815)
Total Governmental Activities	<u>9,331,864</u>	<u>8,375,486</u>	<u>8,201,669</u>	<u>8,357,243</u>	<u>8,304,994</u>	<u>7,993,542</u>	<u>8,789,908</u>	<u>7,998,629</u>	<u>7,408,427</u>	<u>6,494,131</u>
Business-Type Activities:										
Investment Earnings	9,387	14,313	16,653	21,940	10,809	137,970	56,263	29,947	35,902	15,972
Transfers	-	-	-	-	-	-	-	-	-	55,815
Miscellaneous	148,809	144,800	166,340	135,429	-	-	-	-	81,953	-
Total Business-Type Activities	<u>158,196</u>	<u>159,113</u>	<u>182,993</u>	<u>157,369</u>	<u>10,809</u>	<u>137,970</u>	<u>56,263</u>	<u>29,947</u>	<u>117,855</u>	<u>71,787</u>
Total Primary Government	<u>\$ 9,490,060</u>	<u>\$ 8,534,599</u>	<u>\$ 8,384,662</u>	<u>\$ 8,514,612</u>	<u>\$ 8,315,803</u>	<u>\$ 8,131,512</u>	<u>\$ 8,846,171</u>	<u>\$ 8,028,576</u>	<u>\$ 7,526,282</u>	<u>\$ 6,565,918</u>
Change in Net Position										
Governmental Activities	\$ 150,908	\$ (1,044,364)	\$ (911,417)	\$ (445,967)	\$ (213,310)	\$ 506,956	\$ 2,197,284	\$ 1,830,797	\$ 2,106,394	\$ 1,702,056
Business-Type Activities	2,019,626	1,560,846	364,712	3,987,454	(524,696)	2,176,366	9,179,220	7,485,119	3,268,855	2,678,811
Total Primary Government Change in Net Position	<u>\$ 2,170,534</u>	<u>\$ 516,482</u>	<u>\$ (546,705)</u>	<u>\$ 3,541,487</u>	<u>\$ (738,006)</u>	<u>\$ 2,683,322</u>	<u>\$ 11,376,504</u>	<u>\$ 9,315,916</u>	<u>\$ 5,375,249</u>	<u>\$ 4,380,867</u>

Source: Town of Elkton Financial Statements

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Income Tax</u>	<u>Hotel/Motel Tax</u>	<u>Highway Gas Tax</u>	<u>Admission & Amusement Tax</u>	<u>Total</u>
2014	\$ 7,417,345	\$ 1,194,375	\$ 178,249	\$304,552	\$ 8,609	\$ 9,103,130
2013	6,690,770	1,078,655	194,845	87,188	21,028	8,072,486
2012	6,860,083	1,079,807	167,660	134,649	33,346	8,275,545
2011	6,975,420	1,004,307	148,478	45,612	33,954	8,207,771
2010	6,654,704	1,226,587	130,262	83,241	59,058	8,153,852
2009	6,696,806	955,188	158,876	563,179	56,825	8,430,874
2008	6,601,548	1,453,359	163,838	595,147	80,811	8,894,703
2007	6,155,935	940,392	184,142	653,371	92,584	8,026,424
2006	5,600,250	958,373	161,611	762,332	122,545	7,605,111
2005	5,166,639	868,619	146,966	623,181	121,919	6,927,324

Source: Town of Elkton Financial Statements

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund										
Restricted	\$ 1,592,916	\$ 1,479,906	\$ 1,596,605	\$ 1,753,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	500,000	500,000	1,500,000	1,500,000	-	-	-	-	-	-
Assigned	937,037	960,103	1,728,312	1,565,229	-	-	-	-	-	-
Unassigned	<u>4,456,043</u>	<u>4,118,741</u>	<u>3,256,172</u>	<u>4,080,933</u>	-	-	-	-	-	-
Total General Fund	<u>\$ 7,485,996</u>	<u>\$ 7,058,750</u>	<u>\$ 8,081,089</u>	<u>\$ 8,899,690</u>	<u>\$ -</u>					
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 1,750,415	\$ 1,691,173	\$ 1,150,146	\$ 1,732,410	\$ 1,358,844	\$ 615,076
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>
Total General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,095,928</u>	<u>\$ 8,847,598</u>	<u>\$ 8,573,219</u>	<u>\$ 6,900,259</u>	<u>\$ 5,833,123</u>	<u>\$ 4,005,493</u>

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)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Taxes	\$ 9,103,130	\$ 8,072,486	\$ 7,887,108	\$ 7,711,280	\$ 7,995,249	\$ 8,110,473	\$ 8,647,928	\$ 7,581,824	\$ 7,364,605	\$ 6,690,762
Licenses and permits	344,897	363,019	271,172	391,934	259,357	342,656	282,369	393,105	597,848	462,213
Intergovernmental	1,419,349	752,544	597,458	572,702	810,409	770,248	686,231	802,286	707,854	801,460
Charges for services	773,183	805,637	674,087	643,987	729,142	615,391	627,446	516,266	621,781	721,307
Fines and forfeitures	31,385	31,010	59,141	59,193	77,881	85,258	71,322	22,021	19,434	8,405
Investment revenues	5,410	15,654	17,559	23,406	63,824	93,997	389,615	569,059	377,795	128,246
Miscellaneous	167,918	201,686	93,916	171,778	176,659	45,510	100,738	56,517	187,853	117,557
Total Revenues	11,845,272	10,242,036	9,600,441	9,574,280	10,112,521	10,063,533	10,805,649	9,941,078	8,929,950	8,929,950
Expenditures										
General government	1,888,716	1,337,619	1,382,700	1,324,134	1,476,319	1,342,837	1,176,362	1,273,959	1,181,533	1,162,451
Public safety	5,676,877	6,119,357	5,500,408	5,082,910	4,748,206	4,939,624	4,175,753	3,827,859	3,308,553	2,812,119
Public works	3,067,115	3,270,846	2,882,569	2,686,879	2,805,901	2,499,560	2,946,628	2,799,849	2,720,927	3,153,409
Recreation and culture	423,054	499,351	351,309	374,548	437,043	598,160	396,559	374,760	432,119	318,977
Nondepartmental	-	-	-	-	89,124	10,336	6,470	27,601	7,872	14,576
Debt service										
Principal	301,860	269,675	230,127	222,041	219,293	301,222	323,745	450,153	375,239	268,892
Interest	60,404	63,527	71,929	80,006	88,305	97,415	107,172	119,761	134,927	142,495
Total Expenditures	11,418,026	11,560,375	10,419,042	9,770,518	9,864,191	9,789,154	9,132,689	8,873,942	8,161,170	7,872,919
Excess of revenues over (under) expenditures	427,246	(1,318,339)	(818,601)	(196,238)	248,330	274,379	1,672,960	1,067,136	(8,161,170)	1,057,031
Other financing sources (uses)										
Loan proceeds	-	296,000	-	-	-	-	-	-	-	265,368
Transfer out	-	-	-	-	-	-	-	-	-	(55,815)
Contribution by developer for debt service	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	296,000	-	-	-	-	-	-	-	209,553
Net change in fund balances	\$ 427,246	\$ (1,022,339)	\$ (818,601)	\$ (196,238)	\$ 248,330	\$ 274,379	\$ 1,672,960	\$ 1,067,136	\$ (8,161,170)	\$ 1,266,584
Debt service as a percentage of noncapital expenditures	3.20%	3.14%	3.18%	3.27%	4.42%	5.28%	7.09%	6.86%	6.40%	

GOVERNMENTAL TAX REVENUES BY SOURCE

Fiscal Year	Property Tax	Income Tax	Highway Gas Tax	Hotel/Motel Tax	Admission & Amusement Tax	Total
2014	\$ 7,417,345	\$ 1,194,375	\$ 304,552	\$ 178,249	\$ 8,609	9,103,130
2013	6,690,770	1,078,655	87,188	194,845	21,028	8,072,486
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

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 (1)
	Taxable Assessed Value	Estimated Actual Value	Tax Rate	Assessed Value	Estimated Actual Value	Tax Rate	Assessed Value	Estimated Actual Value	Amount	Percentage	
2014	\$ 1,095,945,952	\$ 1,095,945,952	\$ 0.5856	\$ 97,328,080	\$ 97,328,080	\$ 1.110	\$ 1,193,274,032	\$ 1,193,274,032	\$ (110,847,817)	-8.50%	0.628
2013	1,215,856,529	1,215,856,529	0.4632	88,265,320	88,265,320	1.110	1,304,121,849	1,304,121,849	30,360,144	2.38%	0.507
2012	1,190,522,425	1,190,522,425	0.4656	83,239,280	83,239,280	1.110	1,273,761,705	1,273,761,705	9,992,599	0.79%	0.508
2011	1,174,007,666	1,174,007,666	0.4734	89,761,440	89,761,440	1.110	1,263,769,106	1,263,769,106	(11,319,480)	-0.89%	0.519
2010	1,191,915,832	1,191,915,832	0.4640	83,172,754	83,172,754	1.110	1,275,088,586	1,275,088,586	102,206,804	8.71%	0.506
2009	1,092,124,302	1,092,124,302	0.5040	80,757,480	80,757,480	1.110	1,172,881,782	1,172,881,782	117,761,390	11.16%	0.546
2008	975,413,502	975,413,502	0.5440	79,706,890	79,706,890	1.110	1,055,120,392	1,055,120,392	83,846,503	8.63%	0.587
2007	887,854,979	887,854,979	0.5440	83,418,910	83,418,910	1.110	971,273,889	971,273,889	49,339,192	5.35%	0.593
2006	834,710,487	834,710,487	0.5440	87,224,210	87,224,210	1.110	921,934,697	921,934,697	102,166,889	12.46%	0.598
2005	739,000,968	739,000,968	0.5440	80,766,840	80,766,840	1.110	819,767,808	819,767,808	61,935,949	8.17%	0.600

(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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Town of Elkton										
Real Property	\$0.5856	\$0.4632	\$0.4656	\$0.4734	\$0.4640	\$0.5040	\$0.5440	\$0.5440	\$0.5440	\$0.5440
Personal Property	1.1100	1.1100	1.1100	1.1100	1.1100	1.1100	1.1100	1.1100	1.1100	1.1100
Total Direct Tax Rate (1)	0.6280	0.5070	0.5080	0.5190	0.5060	0.5460	0.5870	0.5930	0.5980	0.6000
Cecil County	0.9907	0.9910	0.9401	0.9150	0.9400	0.9600	0.9600	0.9600	0.9600	0.9800
State of Maryland	<u>0.1120</u>	<u>0.1320</u>								
Total Tax Rate	<u><u>\$1.6883</u></u>	<u><u>\$1.5662</u></u>	<u><u>\$1.5177</u></u>	<u><u>\$1.5004</u></u>	<u><u>\$1.5160</u></u>	<u><u>\$1.5760</u></u>	<u><u>\$1.6160</u></u>	<u><u>\$1.6160</u></u>	<u><u>\$1.6160</u></u>	<u><u>\$1.6560</u></u>

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	2014			
	Real Estate Assessment	Personal Property Assessment	Total Assessment	Percentage of Total Assessment
Terumo Medical Corporation	\$ 18,470,800	\$ 20,000,000	\$ 38,470,800	2.95%
W.L. Gore & Associates, Inc.	13,212,400	20,000,000	33,212,400	2.55%
Pine Valley, LLC	21,568,900	62,290	21,631,190	1.66%
Wal-Mart Real Estate Business Tr.	14,770,900	1,641,720	16,412,620	1.26%
Williams Family Automotive LLC	12,988,800	137,740	13,126,540	1.01%
Elkton Associates	10,000,000	680	10,000,680	0.77%
The Meadows at Elk Creek I, L.P.	9,833,200	-	9,833,200	0.75%
Southfield Park Center, LLC	9,048,400	-	9,048,400	0.69%
Elkton Village, LLC	8,306,800	-	8,306,800	0.64%
Centrum-Elkton Limited Partnership	8,205,800	-	8,205,800	0.63%
TOTAL	\$ 126,406,000	\$ 41,842,430	\$ 168,248,430	12.90%

Taxpayer	2005			
	Real Estate Assessment	Personal Property Assessment	Total Assessment	Percentage of Total Assessment
Terumo Medical Corporation	\$ 18,296,119	\$ 10,000,000	\$ 28,296,119	3.45%
Pine Valley LLC	23,393,400	7,990	23,401,390	2.85%
W.L. Gore & Associates, Inc.	13,045,832	10,000,000	23,045,832	2.81%
Elkton Associates	12,283,966	1,330	12,285,296	1.50%
Konica Supplies Mfg USA, Inc.	3,278,200	6,177,000	9,455,200	1.15%
The Meadows at Elk Creek	9,189,766	-	9,189,766	1.12%
Terumo Cardiovascular	-	7,148,660	7,148,660	0.87%
Air Products Polymers, L.P.	950,733	4,914,970	5,865,703	0.72%
Wal-Mart Stores, Inc.	4,961,033	800,540	5,761,573	0.70%
Delmarva Power & Light Co.	-	5,262,580	5,262,580	0.64%
TOTAL	\$ 85,399,049	\$ 44,313,070	\$ 129,712,119	15.82%

Source: Town of Elkton Finance Department

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
2014	\$ 6,406,254	\$ 6,391,895	99.78%	\$ 44,866	\$ 6,436,761	100.48%
2013	5,666,085	5,635,345	99.46%	69,467	5,704,812	100.68%
2012	5,551,932	5,451,725	98.20%	58,101	5,509,826	99.24%
2011	5,566,898	5,490,998	98.64%	92,877	5,583,875	100.30%
2010	5,535,302	5,438,562	98.25%	31,887	5,470,449	98.83%
2009	5,510,987	5,433,769	98.60%	57,103	5,490,872	99.64%
2008	5,325,452	5,312,404	99.75%	3,726	5,316,130	99.82%
2007	4,829,931	4,763,222	98.62%	4,940	4,768,162	98.72%
2006	4,561,609	4,523,272	99.16%	475	4,523,747	99.17%
2005	3,968,204	3,933,455	99.12%	10,530	3,943,985	99.39%

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
2014	\$ 2,308,005	\$ 15,188,941	\$ 17,496,946	3.06%	\$ 1,114
2013	2,506,579	16,241,867	18,748,446	3.34%	1,203
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

(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	\$ 1,193,274,032
Debt limit 5.6%	66,823,346
Amount of debt applicable to debt limit	17,496,946
LEGAL DEBT MARGIN	\$ 49,326,400

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

	Net Debt Outstanding	Percentage Applicable to the Town	Share of Debt Outstanding
DIRECT DEBT OF THE TOWN	\$ 2,308,005	100.00%	\$ 2,308,005
Indirect debt:			
Cecil County	168,152,866 ²	14.42% ¹	24,247,643
TOTAL DIRECT AND OVERLAPPING DEBT	\$ 170,460,871		\$ 26,555,648

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

\$ 1,193,274,032
\$ 8,767,637,987

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
2014	15,718	\$ 571,412,172	\$ 36,354	3,303	6.1%
2013	15,579	561,716,424	36,056	3,226	7.7%
2012	15,531	598,067,748	38,508	3,197	8.4%
2011	15,443	569,244,423	36,861	3,211	8.8%
2010	14,746	551,220,226	37,381	3,248	10.7%
2009	14,842	529,057,932	35,646	3,321	10.0%
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%

- (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.

Note: Unemployment rates are for Cecil County, Maryland; rates are not available for Town of Elkton. Unemployment rates for fiscal years 2009-2013 were revised by the Maryland Department of Labor, Licensing and Regulation in April, 2014.

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

2014			
<u>Company</u>	<u>Number Employed</u>	<u>Percentage of Total County Employment</u>	<u>Product/ Service</u>
Union Hospital of Cecil County	1,200	3.92%	Medical Services
Terumo Medical/Cardiovascular	640	2.09%	Medical Products/ R&D
Cecil County Public Schools	600	1.96%	Elementary/Secondary Education
Cecil County Government	600	1.96%	Government Services
W.L. Gore & Associates, Inc.	400	1.31%	Gore-tex Products
Walmart Stores, Inc.	300	0.98%	Consumer Goods
YMCA of Cecil County	200	0.65%	Recreation Center
Upper Bay Counseling	185	0.60%	Medical Services
Highway Service Ventures	175	0.57%	Truck Fueling Station
Acme Markets	160	0.52%	Grocery
Laurelwood Care Center	<u>150</u>	0.49%	Medical Services
TOTAL	<u><u>4,610</u></u>	<u><u>15.04%</u></u>	
Total Cecil County Employees (Data available for county only)	<u><u>30,651</u></u>		

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

* Current year only, data for 2005 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										
<u>Function</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Government										
Mayor and Council	5	5	5	5	5	5	5	5	5	5
Administration	3	3	3	4	5	4	4	3	3	3
Finance	5	5	5	5	5	5	5	5	5	5
Planning	2	2	2	2	2	2	2	2	2	2
Human Resources	2	2	2	2	2	2	2	2	2	1
Building Custodian	1	1	1	1	1	1	1	1	1	0
Public Safety										
Police										
Officers	42	45	43	43	44	43	43	38	36	36
Civilians	6	6	6	6	6	6	6	11	11	11
Building Inspection	6	6	6	6	6	8	8	8	8	7
Public Works	33	33	33	40	40	37	37	36	35	33
Sanitation	0	0	0	0	0	0	0	0	0	0
Parks and Recreation	3	3	3	4	4	4	4	4	3	2
Total	108	111	109	118	120	117	117	115	111	105

Source: Town of Elkton Fiscal Year Budgets

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

<u>Function</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Government										
Construction Permits Issued	65	28	41	43	18	21	23	71	175	194
Estimated Value of Construction	\$ 15,575,092	\$ 11,706,892	\$ 6,830,197	\$ 14,979,445	\$ 1,550,000	\$ 6,129,000	\$ 4,458,660	\$ 15,403,100	\$ 17,888,093	\$ 29,366,433
Public Safety										
Traffic Contacts	4,983	5,002	4,545	3,758	3,341	4,106	3,367	4,247	6,933	6,526
Calls for Service	28,908	32,747	33,713	31,645	30,257	26,646	25,257	22,181	19,695	17,614
Public Works										
Street Resurfacing (miles)	1.00	0.85	0.90	0.10	0.20	0.20	2.00	0.86	1.08	1.54
Sidewalk Replacement/Repair (miles)	0.10	0.27	0.50	0.10	0.50	0.50	0.50	0.39	0.53	0.47
Stormwater Ponds Managed	22	21	23	23	22	25	25	57	56	56
Recreation										
Number of Activity Sessions Offered										
Preschool Activities	31	49	67	62	59	58	72	63	60	37
Youth Activities	73	75	97	65	69	60	113	74	56	51
Adult Activities	4	5	5	7	17	16	13	20	8	7
Total Number of Activity Sessions Offered	108	129	169	134	145	134	198	157	124	95
Program Participants										
Preschool Activities	409	515	548	664	743	569	806	836	954	666
Youth Activities	1680	1852	1,811	1,358	1,333	1,244	1,112	1,243	718	925
Adult Activities	8	7	8	13	95	24	30	12	39	9
Total Program Participants	2,097	2,374	2,367	2,035	2,171	1,837	1,948	2,091	1,711	1,600
Water										
New Connections	17	22	31	20	32	19	51	79	133	312
Water Main/Lateral Breaks	75	60	48	74	69	40	25	35	26	55
Average Daily Consumption (millions of gallons)	1.692	1.644	1.477	1.657	1.563	1.590	1.590	1.690	1.642	1.677
Sewer										
Sewer Main/Lateral Breaks	29	27	11	5	0	1	5	5	10	13
Average Daily Sewage Treatment (millions of gallons)	1.898	1.636	1.804	1.805	1.867	1.700	1.420	1.650	1.634	1.693

Source: Various Town departments

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

<u>Function</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Information										
Area in Square Miles	8.20	8.20	8.20	8.20	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	40	38	33	31	31	29	28	23	23	23
Highways and Streets										
Streets (miles)	45.2	45.2	45.2	45.2	44.3	44.2	44.2	44.2	43.4	43.4
Storm Sewers (miles)	43.3	43.3	43.3	43.3	42	42	41	41	40	40
Catch Basins	1,658	1,658	1,658	1,658	1,590	1,590	1,576	864	842	834
Street Lights	591	591	591	591	579	579	579	579	554	502
Recreation and Culture										
Number of Parks/Playgrounds	3/5	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	6,725	6,708	6,686	6,655	6,635	6,603	6,482	6,383	6,304	6,171
Water Mains (miles)	75.8	75.8	75.8	75.8	74.3	74.2	74.2	74.2	73.3	72.5
Fire Hydrants	578	578	578	578	554	554	554	449	440	417
Wastewater										
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Maximum Daily Treatment Capacity (million gallons)	3.2	3.2	3.20	3.20	3.20	3.20	2.70	2.70	2.70	2.70
Pumping Stations	13	13	13	13	13	13	12	12	10	10
Sanitary Sewers (miles)	68.8	68.8	68.8	68.8	67.7	67.6	67.6	67.6	66.6	61.5

Source: Various Town departments