

TOWN OF ELKTON, VIRGINIA
FINANCIAL AND COMPLIANCE REPORTS
JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Honorable Town Council
Town of Elkton
Elkton, VA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary fund of the Town of Elkton, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Elkton's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the fiduciary fund of the Town of Elkton, Virginia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010, on our consideration of the Town of Elkton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, listed in the 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 the sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Elkton's financial statements as a whole. The other supplementary information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Young, Nicholas, Brauner & Phillips, LLP

Harrisonburg, VA
November 2, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Elkton's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2010. Please read it in conjunction with the Town's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities by \$6,476,680 at the close of the most recent fiscal year.
- The Town's net assets increased as a result of this year's operations. While net assets of the business-type activities decreased by \$33,219, net assets of the governmental activities increased by \$347,974.
- In the Town's business-type activities, operating revenues decreased by \$346,306 from the previous year and operating expenses decreased by \$370,670.
- In the Town's governmental activities, operating revenues decreased by \$59,893 from the previous year and operating expenses decreased by \$34,673.
- Actual revenues were \$300,828 more than budgeted for the General Fund. General Fund expenditures were \$151,565 less than budgeted.
- Operating revenues were \$288,425 less than budgeted for the Electric Fund. Electric Fund operating expenses, excluding depreciation, were \$353,230 less than budgeted.
- Operating revenues were \$97,282 less than budgeted for the Water Fund. Water Fund operating expenses, excluding depreciation, were \$107,435 more than budgeted.
- Operating revenues were \$138,360 less than budgeted for the Sewer Fund. Sewer Fund operating expenses, excluding depreciation, were \$44,102 more than budgeted.
- The Town spent \$678,443 for capital outlays during the current fiscal year.
- The Town's long-term debt decreased by \$65,446 during the current fiscal year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 14) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 15. For governmental activities, these 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 funds.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that help answer this question. These statements 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.

These two statements report the Town's *net assets* and changes in them. You can think of the Town's net assets—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 assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property base and condition of the Town's roads, to assess the *overall health* of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- *Governmental activities*—Most of the Town's basic services are reported here, including public safety, public works, cultural and recreation and general administration. Property taxes, other local taxes and state and federal grants finance most of these activities.
- *Business-type activities*—The Town charges a fee to customers/users to help it cover all or most of the cost of certain services it provides. The Town's water, sewer and electric systems are reported here.

Reporting the Town's Most Significant Funds

The fund financial statements begin on page 15 and provide detailed information about the Town's funds—not the Town as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the budget ordinance. The Town's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- *Governmental fund*—Most of the Town's basic services are reported in the 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. This fund is reported using an accounting method called *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 government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and the governmental *fund* in reconciliations following the fund financial statements.
- *Proprietary funds*—When the Town charges customers/users for the services provided it is reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN AS TRUSTEE

The Town is the trustee, or fiduciary, for the cemetery. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiary. All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets on pages 24 and 25. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

THE TOWN AS A WHOLE

The Town's *combined* net assets changed modestly from a year ago - *increasing* from \$6,161,925 to \$6,476,680. During the year, the net assets of the governmental activities increased by 9.21 percent and the business-type activities decreased by 1.39 percent. Below is a summary of the net assets as of June 30, 2010 and 2009.

	NET ASSETS					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 1,929,953	\$ 1,759,515	\$ 526,568	\$ 442,243	\$ 2,456,521	\$ 2,201,758
Capital assets	<u>6,455,452</u>	<u>6,565,948</u>	<u>4,042,512</u>	<u>4,078,565</u>	<u>10,497,964</u>	<u>10,644,513</u>
Total assets	<u>\$ 8,385,405</u>	<u>\$ 8,325,463</u>	<u>\$ 4,569,080</u>	<u>\$ 4,520,808</u>	<u>\$ 12,954,485</u>	<u>\$ 12,846,271</u>
Long-term liabilities	\$ 3,807,325	\$ 4,033,796	\$ 2,013,253	\$ 1,852,228	\$ 5,820,578	\$ 5,886,024
Other liabilities	<u>452,650</u>	<u>514,211</u>	<u>204,577</u>	<u>284,111</u>	<u>657,227</u>	<u>798,322</u>
Total liabilities	<u>\$ 4,259,975</u>	<u>\$ 4,548,007</u>	<u>\$ 2,217,830</u>	<u>\$ 2,136,339</u>	<u>\$ 6,477,805</u>	<u>\$ 6,684,346</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 2,648,127	\$ 2,532,153	\$ 2,081,197	\$ 2,280,313	\$ 4,729,324	\$ 4,812,466
Unrestricted (deficit)	<u>1,477,303</u>	<u>1,245,303</u>	<u>270,053</u>	<u>104,156</u>	<u>1,747,356</u>	<u>1,349,459</u>
Total net assets	<u>\$ 4,125,430</u>	<u>\$ 3,777,456</u>	<u>\$ 2,351,250</u>	<u>\$ 2,384,469</u>	<u>\$ 6,476,680</u>	<u>\$ 6,161,925</u>

The largest portion of the Town's net assets (73 percent) reflects its investments in capital assets (e.g., land, buildings, equipment and improvements), less any debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net assets (\$1,747,356) may be used to meet the government's ongoing obligation to citizens and creditors.

The following is a summary of the changes in net assets for the governmental and business-type activities for the years ended June 30, 2010 and 2009.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Charges for services	\$ 381,453	\$ 359,794	\$ 2,634,933	\$ 2,981,239	\$ 3,016,386	\$ 3,341,033
General property taxes	215,006	231,277	-	-	215,006	231,277
Other local taxes	875,131	823,712	-	-	875,131	823,712
Intergovernmental	528,283	623,717	-	-	528,283	623,717
Miscellaneous	<u>18,851</u>	<u>40,117</u>	<u>-</u>	<u>-</u>	<u>18,851</u>	<u>40,117</u>
Total revenues	<u>\$ 2,018,724</u>	<u>\$ 2,078,617</u>	<u>\$ 2,634,933</u>	<u>\$ 2,981,239</u>	<u>\$ 4,653,657</u>	<u>\$ 5,059,856</u>

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program expenses						
General government	\$ 700,944	\$ 667,864	\$ -	\$ -	\$ 700,944	\$ 667,864
Public safety	443,319	451,488	-	-	443,319	451,488
Public works	505,767	550,806	-	-	505,767	550,806
Cultural and recreation	301,482	323,558	-	-	301,482	323,558
Community development	13,890	6,359	-	-	13,890	6,359
Electric	-	-	1,236,006	1,702,880	1,236,006	1,702,880
Water	-	-	343,788	269,863	343,788	269,863
Sewer	-	-	530,599	508,320	530,599	508,320
Total expenses	<u>\$ 1,965,402</u>	<u>\$ 2,000,075</u>	<u>\$ 2,110,393</u>	<u>\$ 2,481,063</u>	<u>\$ 4,075,795</u>	<u>\$ 4,481,138</u>
Operating income (loss)	<u>\$ 53,322</u>	<u>\$ 78,542</u>	<u>\$ 524,540</u>	<u>\$ 500,176</u>	<u>\$ 577,862</u>	<u>\$ 578,718</u>
Nonoperating						
Interest income	\$ 12,837	\$ 25,001	\$ -	\$ -	\$ 12,837	\$ 25,001
Increase (decrease) in investments	4,995	(2,196)	-	-	4,995	(2,196)
Gain (loss) on disposal of assets	12,996	(5,943)	(75,323)	(9,989)	(62,327)	(15,932)
Interest expense	(139,108)	(146,266)	(79,504)	(62,435)	(218,612)	(208,701)
Total nonoperating	<u>\$ (108,280)</u>	<u>\$ (129,404)</u>	<u>\$ (154,827)</u>	<u>\$ (72,424)</u>	<u>\$ (263,107)</u>	<u>\$ (201,828)</u>
Income (loss) before other items	\$ (54,958)	\$ (50,862)	\$ 369,713	\$ 427,752	\$ 314,755	\$ 376,890
Special item - forgiveness of debt	-	(109,871)	-	-	-	(109,871)
Transfers	<u>402,932</u>	<u>268,257</u>	<u>(402,932)</u>	<u>(268,257)</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>\$ 347,974</u>	<u>\$ 107,524</u>	<u>\$ (33,219)</u>	<u>\$ 159,495</u>	<u>\$ 314,755</u>	<u>\$ 267,019</u>

The Town's total revenues decreased by \$406,199 (8.0 percent), while the total cost of all programs and services decreased by \$405,343 (9.0 percent). Our analysis that follows separately considers the operations of governmental and business-type activities.

Governmental Activities

Operating revenues for the Town's governmental activities decreased by \$59,893 (2.9 percent) while operating expenses decreased by \$34,673 (1.7 percent). The factors driving these results include:

Revenues

- *Charges for services* overall increased by \$21,659. The most significant increase within the category was for fines and forfeitures. The increase was approximately \$12,100 due to increase in police issuances of traffic tickets. Another significant increase was in recreation income, which increased by approximately \$9,300. This increase is due to a rise in participation and addition of programs offered.
- *Intergovernmental revenues* decreased by \$95,434. The overall decrease was due to county budget cuts that reduced Community Center revenues by \$73,500. Also, a grant of approximately \$38,000 available last year to the police department to buy equipment was not available again this fiscal year. However, an increase did occur within this category due to a federal grant of approximately \$13,300 used to rehabilitate the Burr Oak outside the Town Hall as well as restore the stream bank and design a formal park along Elk Run Creek.

- *Other local taxes* overall increased by \$51,419. The most significant increase occurred in meals taxes due to an increase of the rate from 4 to 6 percent in 2009 and the addition of several new popular restaurants in the Town. The increase generated approximately \$38,000 in extra revenues. Another increase resulted from the bank stock tax, which is computed by the state of Virginia based upon a ratio of deposits to banks' net capital assets. The Town's share of this tax reflected an increase of approximately \$26,000. However, there were some decreases, the largest two concerning local sales and use taxes as well as business licenses. These two decreased approximately \$7,200 and \$3,300, respectively and were due to several businesses' closing and an overall weak economic environment for the Town's residents.
- *Miscellaneous* overall decreased by \$21,266. This is attributed to a decrease in contributions received by the Town for the Kite House, Community Center, and police department by approximately \$5,000, \$11,000 and \$7,000, respectively.

Expenses

- *General government administration* overall increased by \$33,080. The Town saw an increase in salaries and employee benefits this year due to having a Town Manager for only three months in the last fiscal year as well as yearly raises for general government employees. The increase in salaries and benefits was approximately \$47,000. Another significant increase this year involved insurance premiums that rose approximately \$4,300 from last fiscal year. The Town saw its professional service expense decrease by approximately \$18,000 due to a decreased need for general legal services.
- *Public works* overall expenses decreased by \$45,039. One decrease was attributed to the decision by the Town to cut down on part-time laborers, particularly divertees, therefore causing a decrease in part-time wages and related payroll expenses by approximately \$41,000. Also, landfill expenses decreased by \$31,000 due to a more detailed bill provided to the Town which allowed for the allocation of some expenses to the Sewer Fund. There were several increases in expenses of the Town, the greatest being a salary increase in approximately \$12,000 for wages and overtime pay due to the hiring of more mowers. There was also an approximate \$6,400 increase in vehicle and maintenance expenses caused by the use of fuel for a generator used by the public works department. Supplies and maintenance expenses increased approximately \$5,500 due to supplies used to repair and replace several sections of sidewalks in the Town. The last significant increase was an approximate \$2,800 increase in employee benefits due to rising health insurance premiums.
- *Cultural and recreation* overall decreased by \$22,076. The Town experienced a significant decrease in maintenance and repair expenses of approximately \$18,000 due to an unexpected replacement of an air conditioning unit in the Community Center last fiscal year. This year's repair and maintenance expense is more in line with past years' expenses. The Town also incurred two other significant decreases when declining to hire contract labor for the Community Center, reducing the expense by approximately \$3,400, and moving to a vending machine instead of having a concession stand, also reducing supplies expense by approximately \$4,000. The Town did decide to hire more part-time help for the Community Center to run the many programs added this fiscal year, increasing the expense by approximately \$10,000.

A final significant difference for governmental activities was the lack of forgiveness of debt to the Cemetery Fund. The General Fund pays for the operating expenses incurred for the cemetery. The original agreement was that the Cemetery Fund would reimburse the general government once a year for expenses paid. In fiscal year 2009, the cemetery reimbursed the general government one-half of the FY2008 expenses and the general government forgave the other one-half which was \$109,871. This fiscal year, there was no debt forgiveness and the cemetery reimbursed the general government for expenses incurred during FY2009.

Business-Type Activities

Operating revenues for the Town's business-type activities decreased by \$346,306 (11.6 percent) and operating expenses decreased by \$370,670 (14.9 percent). The factors driving these results include:

Revenues

- *Electric revenues* overall decreased by \$243,249. The significant decrease was for charges of approximately \$237,500 for services. Overall usage declined significantly because the poor economy and increasing costs of electricity led to increased electric conservation.
- *Water revenues* overall decreased by \$87,167. The Town saw a decrease of approximately \$104,000 in connection fees due largely in part to the Willow Oak subdivision project that was completed last fiscal year. The Town also saw a decrease of approximately \$15,000 from a rental agreement that ended last fiscal year that involved the use of the Town's back hoe. A significant increase in revenues came from the charges for services of approximately \$32,000 resulting from an increase in rates at the beginning of the fiscal year.
- *Sewer revenues* overall decreased by \$15,890. The Town saw a significant decrease in connection fees of approximately \$118,000 due to the Willow Oak subdivision project that was completed last fiscal year. A significant increase included the charges for services of approximately \$102,000 resulting from an increase in sewer rates at the beginning of the fiscal year.

Expenses

- *Electric expenses* overall decreased by \$466,874. A significant decrease that occurred in the category was the electric power costs that decreased by approximately \$466,000. The change was attributed to a decrease in the usage of electricity by the Town's residents. Also, a large generator used during peak electricity usage periods has saved the Town significant amounts of money and has been a major factor in reducing electricity costs.
- *Water expenses* overall increased by \$73,925. The Town saw a significant increase in expenses due largely to the use of independent testing services for weekly tests of the Town's water. This caused an approximate increase of \$33,000. Also, vehicle maintenance and generator fuel expenses incurred an approximate \$21,000 increase due to fuel used by a water pump in the opening of the Elkwood well. Also involved with the opening of the well, engineering services provided by Anderson and Associates caused professional service expenses to increase by approximately \$14,000.
- *Sewer expenses* overall increased by \$22,279. The most significant increase occurred in landfill expense with an increase of approximately \$50,400. This increase was due to a more detailed bill being provided to the Town which in turn allowed it to be able to allocate appropriate expenses to the Sewer Fund. Contract labor also experienced a significant increase of approximately \$64,000. This increase was due to the need for temporary contracted labor to work on wastewater treatment plant upgrades until qualified individuals could be permanently hired. The Town saw a significant decrease of approximately \$58,000 in professional services which is in line with past years' expenses. The prior year included a fine of approximately \$16,000 from the Department of Environmental Quality for violations at the sewer plant. Finally, the Town saw a decrease in rental expense of approximately \$16,000 due to the Town's no longer renting a belt press as in past years.

THE TOWN'S FUNDS

As the Town completed the year, its governmental fund (as presented in the balance sheet on page 15) reported a fund balance of \$1,522,838, which is an increase of \$207,593 over last year's total of \$1,315,245.

The primary reasons for the General Fund's increase mirror the changes noted in the previous section under "governmental" activities. In addition, the Town expended \$94,129 on capital additions (see page 56), a decrease of \$82,951 over the prior year.

As the Town completed the year, its proprietary funds (as presented in the balance sheets on page 19) reported net assets of \$2,351,250, which is a decrease of \$33,219 over last year's total of \$2,384,469. Significant changes in the change in net assets are noted in the previous section under "business-type" activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town Council did not make any revisions to the General Fund budget.

The significant variations of actual results to the final General Fund budget are summarized below:

<u>Account</u>	<u>Variance Positive (Negative)</u>
Revenues	
Personal property taxes	\$ (16,674)
Bank stock	24,730
Meals	48,021
Fines and forfeitures	11,495
Interest on bank deposits	12,337
Charges for recreation	8,052
HEC rollover	54,466
Contributions - Community Center	11,480
Street and highway maintenance	118,010
U.S. Forest Service Grant	13,361
Expenditures	
<i>General Government Administration</i>	
Salaries and wages	\$ 11,143
Insurance and surety bonds	16,923
Professional services	20,465
<i>Public Works</i>	
Vehicle maintenance	(9,256)
Salaries and wages	(16,630)
Landfill fees	20,963
Trash removal	10,677
Capital outlays	13,614
<i>Cultural & Recreation - Recreation</i>	
Salaries and wages	(13,004)
Repairs and maintenance	8,826
<i>Community Development</i>	
Creekside park project	(10,212)
<i>Debt Service</i>	
Community Center loan principal	40,884
Community Center loan interest	54,033
Public works auto loan principal	(9,149)

Property taxes were less than expected due to a decrease in personal property values for the Town. The Town had budgeted bank stock revenue based on revenues received in previous years. Meals tax surpassed budgeted amounts due to unanticipated popularity of new restaurants. The Town anticipated less fines and forfeitures and budgeted accordingly; however, revenues actually increased from last fiscal year. The Town only budgeted \$500 for interest on its savings even though its interest income is normally much greater than expected. The Town budgeted for an increase in recreation revenues at the Community Center, and increased participation exceeded expectations. The Town did not consider the HEC rollover account or the Community Center contributions when completing the budget. The Town anticipated much lower revenues for street and highway maintenance but received revenues congruent with last fiscal year. The Town did not take the U.S. Forest grant into consideration when compiling the budget.

The Town paid less salary and wage expense than expected last year and anticipated an increase this fiscal year; however, expenses stayed in line with last fiscal year. The Town was not sure how much insurance expense to budget due to fluctuations of premiums from year to year causing the significant variance. The Town decided to reduce legal fees and budgeted according to what seemed feasible this year. The decrease in legal expenses was more than anticipated. Vehicle maintenance variance occurred due to a decrease in budgeted amount and an increase in fuel used by the department. Sanitation salaries and wages were more than expected because of several employee reclassifications and the decision to hire part-time workers in the sanitation department. The Town did not budget for the unexpected portion of landfill fee expenses allocated to the Sewer Fund. The Town budgeted for an increase in trash removal fees but expenses remained comparable to last fiscal year. The Town spent less on capital outlays in public works due to efforts to conserve cash resources. The Town did not budget for the unexpected need for part-time workers to help run the added programs in the Community Center. The repairs and maintenance budget was increased because of last year's unexpected increase; however, expenses returned to levels comparable to past years' amounts. The Town did not budget money this fiscal year for a federal grant used for the restoration of the stream bank and the addition of a formal park along Elk Run Creek, thus causing a significant variation. The budget amounts were increased for the Community Center loan. The Town did not budget for the repayment of the public works auto loan for the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the Town had \$10.5 million invested in capital assets including public works and police equipment, buildings, park facilities, sidewalks, and the water, electric, and sewer systems. (See table below.) This represents a net decrease of \$146,548, or 7.4 percent, under last year.

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,383,856	\$ 2,383,856	\$ 41,056	\$ 41,056	\$ 2,424,912	\$ 2,424,912
Buildings	3,017,667	3,096,785	-	-	3,017,667	3,096,785
Equipment	413,880	473,525	384,621	443,248	798,501	916,773
Infrastructure	640,049	611,782	-	-	640,049	611,782
Utility system	-	-	3,616,836	3,594,261	3,616,836	3,594,261
Totals	<u>\$ 6,455,452</u>	<u>\$ 6,565,948</u>	<u>\$ 4,042,513</u>	<u>\$ 4,078,565</u>	<u>\$10,497,965</u>	<u>\$10,644,513</u>

This year's major additions included:

Elkwood well project	\$ 105,836
WWTP improvements	55,636
West Summit Avenue - paving	41,098
John Deere 310 G backhoe with bucket	39,450
Sludge collection system	31,001
	<u>\$ 273,021</u>

Debt

At year-end, the Town had \$5,820,578 in outstanding loans compared to \$5,886,024 last year. This is a decrease of 1.1 percent as shown in the following tables.

Governmental-Type Activities

	Outstanding June 30,	
	<u>2010</u>	<u>2009</u>
General Obligation Bonds, United Bank	\$ 650,000	\$ 700,000
General Obligation Bonds, Farmers and Merchants	650,000	700,000
Kite Charitable Remainder Trust	309,656	327,659
Farmers and Merchants (Community Center)	1,517,908	1,577,024
Joseph H. Kite, Jr. (Land, Spotswood Trail)	677,374	717,577
Joe Bowman Chevrolet, Inc. (Silverado)	2,387	11,536
	<u>\$ 3,807,325</u>	<u>\$ 4,033,796</u>

Business-Type Activities

	Outstanding June 30,	
	<u>2010</u>	<u>2009</u>
Sewer loan payable	\$ 147,060	\$ 157,132
Generator loan payable	221,210	340,832
Virginia Resources Authority loan payable	329,909	-
Virginia Municipal League (Pentecostal Hill project)	1,260,000	1,285,000
Belt press loan payable	55,074	69,264
	<u>\$ 2,013,253</u>	<u>\$ 1,852,228</u>

New debt was issued for the purpose of funding the Wastewater Improvements Project. The total amount of new debt was \$329,909 for the year ended June 30, 2010.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the budget for FY 2010-2011, operating revenues are projected at \$4,916,289, which is a decrease of \$9,639 or .2 percent under the FY 2009-2010 budget. In the budget for FY 2010-2011, operating expenses are projected at \$4,916,289, which is a decrease of \$9,639 or .2 percent under the FY 2009-2010 budget. The decrease in expected revenue for the upcoming year is due largely in part to an anticipated drop in connection fees in the Sewer Fund. No large developments, which generate large connection revenues, are expected in the upcoming year. Therefore the connection revenues experienced a 50 percent reduction to match prior years' revenues. As the national recession ends and the economic environment improves, the Town has budgeted for an increase in most revenue areas. Business license revenue and Community Center revenue are both expected to increase by about 6.5 percent and tax revenues are expected to increase by 1.3 percent. The majority of the Town's decrease in expenses is due to the decrease in capital outlays, enabling the Town to restore cash resources. Most expense categories are expected to decrease; however, with the addition of a garbage truck and collection services the Town anticipates a 23 percent increase in expenses of the sanitation department. Also, the Town is reducing part-time labor expenses and hiring full-time workers to handle the increasing workload generated by Town operations.

The Town is continuing to work to improve the sewer plant this year due to mandates from the Department of Environmental Quality. In fiscal year 2009, designs were being implemented to meet the requirements ordered by the DEQ. This project is multi-faceted, but each of the sub-projects should be completed in the spring of 2011. The Town anticipates that the cost of the entire project will be approximately \$2.4 million dollars. To fund this, the Town was awarded a zero percent interest loan from the Virginia DEQ Revolving Loan Fund. This is a twenty-year loan, which will indebt the Town to an approximate \$150,000 annual payment that begins six months after the project is complete. The Town projects that the increase in sewer fees enacted in fiscal year 2009 will pay for the annual principal payment.

While the overall capacity of the plant will not increase, the components that are to be installed will collectively be approximately twice the size of the plant. If the Town ever decides to increase the capacity of the plant, those components will not have to be replaced. These upgrades include but are not limited to:

- The replacement of existing UV system and influent screen
- Modification of existing aeration system
- Repairs and modifications to existing sludge drying beds
- Construction of sludge dewatering system and relocation of existing equipment
- Installation of new electrical service including new generator
- Improvements to existing electrical system
- Construction of onsite sewer main and water distribution lines

Additionally, the Town plans to construct new sewer lines for the two new Rockingham County schools on Rockingham Pike. The old system of an electric pump station located at the intersection of Old Spotswood Trail and Spotswood Trail that transfers wastewater to the plant is under-sized and will not be able to handle the additional flow. Therefore, the Town is rehabilitating 1,600 linear feet of gravity sewer line on Old Spotswood Trail and constructing a 1,500 linear foot gravity sewer line on Spotswood Trail. These new sewer lines rely solely on gravity to transfer wastewater to the plant and will reduce operating costs and increase the reliability of the system.

Finally, the Town plans to continue to replace damaged or inappropriately designed sewer pipes throughout the Town. This will reduce the inflow and infiltration problem and reduce the amount of groundwater that is unnecessarily treated at the plant. It will also reduce bottle-necks in the system, which could cause a major backup as the system expands. The Town will repair sewer lines on Spotswood Avenue and replace approximately 700 feet of sewer pipe and manholes along Blue and Gold Drive in fiscal year 2011. Anticipated construction date starts July 6, 2010 and ends August 2, 2010.

The Town recognized a serious water quality problem at one of the Town's two water sources in the summer of 2009. Subsequently, that water source was taken offline and a new source was brought online so it could ensure the citizens safe water. The water source is located on land not currently owned by the Town. Plans are being drawn for permanent use of the land as well as replacing the current generator with a permanent electricity source.

The Town of Elkton is also currently developing a ten-year capital improvements plan. This plan will focus primarily on basic infrastructure replacement and upgrade to ensure that the infrastructure lasts many more years.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our 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 information, contact the Town Office at 173 West Spotswood Avenue, Elkton, VA.

Government-Wide Financial Statements

TOWN OF ELKTON, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2010

	----- Primary Government -----		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,390,128	\$ -	\$ 1,390,128
Receivables, net of allowances for uncollectible amounts:			
Property taxes	310,864	-	310,864
Accounts and other	35,767	237,066	272,833
Due from other governmental units and businesses	116,156	-	116,156
Due from fiduciary fund	28,083	-	28,083
Inventories	6,282	197,961	204,243
Prepaid expenses	42,673	39,603	82,276
Unamortized bond discount	-	51,938	51,938
Capital assets:			
Non-depreciable	2,383,856	41,056	2,424,912
Depreciable, net of accumulated depreciation	<u>4,071,596</u>	<u>4,001,456</u>	<u>8,073,052</u>
Total assets	<u>\$ 8,385,405</u>	<u>\$ 4,569,080</u>	<u>\$ 12,954,485</u>
LIABILITIES			
Accounts payable	\$ 42,279	\$ 38,653	\$ 80,932
Accrued liabilities	25,729	9,928	35,657
Accrued compensated absences	87,056	38,840	125,896
Accrued interest payable	28,352	26,233	54,585
Customer deposits	-	81,485	81,485
Deferred revenues	269,234	9,438	278,672
Long term liabilities:			
Due within one year	253,016	173,444	426,460
Due in more than one year	<u>3,554,309</u>	<u>1,839,809</u>	<u>5,394,118</u>
Total liabilities	<u>\$ 4,259,975</u>	<u>\$ 2,217,830</u>	<u>\$ 6,477,805</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 2,648,127	\$ 2,081,197	\$ 4,729,324
Unrestricted	<u>1,477,303</u>	<u>270,053</u>	<u>1,747,356</u>
Total net assets	<u>\$ 4,125,430</u>	<u>\$ 2,351,250</u>	<u>\$ 6,476,680</u>

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
----- Primary Government -----		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (700,944)	\$ -	\$ (700,944)
(352,643)	-	(352,643)
54,574	-	54,574
(75,975)	-	(75,975)
(529)	-	(529)
<u>(139,108)</u>	<u>-</u>	<u>(139,108)</u>
\$ (1,214,625)	\$ -	\$ (1,214,625)
\$ -	\$ 526,872	\$ 526,872
-	(3,257)	(3,257)
<u>-</u>	<u>(78,579)</u>	<u>(78,579)</u>
\$ -	\$ 445,036	\$ 445,036
\$ (1,214,625)	\$ 445,036	\$ (769,589)
\$ 215,006	\$ -	\$ 215,006
875,131	-	875,131
17,832	-	17,832
31,331	-	31,331
12,996	(75,323)	(62,327)
7,371	-	7,371
<u>402,932</u>	<u>(402,932)</u>	<u>-</u>
\$ 1,562,599	\$ (478,255)	\$ 1,084,344
\$ 347,974	\$ (33,219)	\$ 314,755
<u>3,777,456</u>	<u>2,384,469</u>	<u>6,161,925</u>
\$ <u>4,125,430</u>	\$ <u>2,351,250</u>	\$ <u>6,476,680</u>

Fund Financial Statements

TOWN OF ELKTON, VIRGINIA

---GOVERNMENTAL FUND---

BALANCE SHEET

June 30, 2010

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,390,128
Receivables (net of allowance for uncollectibles):	
Property taxes	310,864
Accounts	12,915
Accrued interest	1,176
Due from other governmental units and businesses	116,156
Due from other funds	28,083
Inventory	6,282
Prepaid expenses	<u>42,673</u>
Total assets	<u>\$ 1,908,277</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 42,279
Accrued liabilities	33,419
Deferred revenue	<u>309,741</u>
Total liabilities	<u>\$ 385,439</u>
 Fund Balance	
Unreserved	
Designated:	
Kings Dominion and Busch Gardens tickets	\$ 7,252
Recreation donations	8,049
HEC holding	176,159
Undesignated	<u>1,331,378</u>
Total fund balance	<u>\$ 1,522,838</u>
Total liabilities and fund balance	<u>\$ 1,908,277</u>

See Notes to Financial Statements.

TOWN OF ELKTON, VIRGINIA
----GOVERNMENTAL FUND----
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010

FUND BALANCE-TOTAL GOVERNMENTAL FUND **\$ 1,522,838**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.

Governmental capital assets	\$ 7,601,107	
Less accumulated depreciation	<u>(1,145,655)</u>	6,455,452

Certain revenues not available to pay for current period expenditures are not reported in the governmental fund.

Deferred revenue, property taxes	\$ 40,507	
Insurance recoveries	<u>21,675</u>	62,182

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental fund.

General obligation bonds payable	\$ (1,300,000)	
Notes payable	(2,504,938)	
Auto lease payable	(2,387)	
Accrued interest payable	(28,352)	
Compensated absences	<u>(79,365)</u>	<u>(3,915,042)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 4,125,430**

See Notes to Financial Statements.

TOWN OF ELKTON, VIRGINIA

---GOVERNMENTAL FUND---
**STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE**
 Year Ended June 30, 2010

	<u>General Fund</u>
REVENUES	
General property taxes	\$ 209,206
Other local taxes	875,131
Permits, privilege fees, and regulatory licenses	2,017
Fines and forfeitures	26,595
Revenue from the use of money and property	17,832
Charges for services	298,375
Miscellaneous	73,317
Intergovernmental revenues:	
County	66,500
Commonwealth	443,231
Federal	<u>18,552</u>
Total revenues	<u>\$ 2,030,756</u>
EXPENDITURES	
General government administration	\$ 632,709
Public safety	411,248
Public works	553,972
Cultural and recreation	229,309
Community development	13,890
Debt service	<u>384,967</u>
Total expenditures	<u>\$ 2,226,095</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (195,339)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in (out):	
Electric fund	\$ 309,948
Water fund	181,588
Sewer fund	<u>(88,604)</u>
Total other financing sources (uses)	<u>\$ 402,932</u>
Net change in fund balance	\$ 207,593
FUND BALANCE AT BEGINNING OF YEAR	<u>1,315,245</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,522,838</u>

See Notes to Financial Statements.

TOWN OF ELKTON, VIRGINIA

----GOVERNMENTAL FUND----

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN THE FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

NET CHANGE IN FUND BALANCE-TOTAL GOVERNMENTAL FUND	\$	207,593
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over the estimated useful lives.

Expenditures for capital assets	\$ 94,129	
Unrecovered cost of disposed assets	(8,679)	
Less current year depreciation	<u>(195,946)</u>	(110,496)

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental fund. This amount is the net change in these revenues.

Insurance recoveries	\$ 21,675	
Property taxes	<u>5,800</u>	27,475

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund.

Change in accrued interest	\$ 1,968	
Change in long-term compensated absences	<u>(5,037)</u>	(3,069)

Bond proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments	\$ <u>226,471</u>	<u>226,471</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>347,974</u>
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See Notes to Financial Statements.

TOWN OF ELKTON, VIRGINIA

---- PROPRIETARY FUNDS ----

BALANCE SHEETS

June 30, 2010

	----- Enterprise Funds -----			Total Enterprise Funds
	Electric	Water	Sewer	
ASSETS				
Current assets:				
Accounts receivable, less allowance for doubtful accounts of \$31,050, \$683, and \$5,565, respectively	\$ 160,898	\$ 29,025	\$ 47,143	\$ 237,066
Inventories	173,679	17,851	6,431	197,961
Prepaid expenses	34,939	1,235	3,429	39,603
Total current assets	<u>\$ 369,516</u>	<u>\$ 48,111</u>	<u>\$ 57,003</u>	<u>\$ 474,630</u>
Noncurrent assets:				
Unamortized bond discount	\$ -	\$ 25,969	\$ 25,969	\$ 51,938
Capital assets:				
Land	-	41,056	-	41,056
Utility plants, distribution and collection systems	312,456	2,532,586	3,209,594	6,054,636
Equipment	480,064	98,362	79,253	657,679
Less accumulated depreciation	(388,431)	(972,852)	(1,349,576)	(2,710,859)
Total noncurrent assets	<u>\$ 404,089</u>	<u>\$ 1,725,121</u>	<u>\$ 1,965,240</u>	<u>\$ 4,094,450</u>
Total assets	<u>\$ 773,605</u>	<u>\$ 1,773,232</u>	<u>\$ 2,022,243</u>	<u>\$ 4,569,080</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities:				
Accounts payable	\$ 3,783	\$ 4,382	\$ 30,488	\$ 38,653
Accrued payroll	1,170	3,021	5,737	9,928
Accrued interest payable	2,001	11,864	12,368	26,233
Compensated absences	14,428	8,899	15,513	38,840
Deposits	81,485	-	-	81,485
Bonds, notes and loans payable	124,477	12,500	36,467	173,444
Total current liabilities	<u>\$ 227,344</u>	<u>\$ 40,666</u>	<u>\$ 100,573</u>	<u>\$ 368,583</u>
Noncurrent liabilities:				
Unamortized bond premium	\$ -	\$ 4,719	\$ 4,719	\$ 9,438
Bonds, notes and loans payable	96,733	617,500	1,125,576	1,839,809
Total noncurrent liabilities	<u>\$ 96,733</u>	<u>\$ 622,219</u>	<u>\$ 1,130,295</u>	<u>\$ 1,849,247</u>
Total liabilities	<u>\$ 324,077</u>	<u>\$ 662,885</u>	<u>\$ 1,230,868</u>	<u>\$ 2,217,830</u>
Net Assets				
Invested in capital assets, net of related debt	\$ 182,879	\$ 1,095,121	\$ 803,197	\$ 2,081,197
Unrestricted	266,649	15,226	(11,822)	270,053
Total net assets	<u>\$ 449,528</u>	<u>\$ 1,110,347</u>	<u>\$ 791,375</u>	<u>\$ 2,351,250</u>
Total liabilities and net assets	<u>\$ 773,605</u>	<u>\$ 1,773,232</u>	<u>\$ 2,022,243</u>	<u>\$ 4,569,080</u>

See Notes to Financial Statements.

TOWN OF ELKTON, VIRGINIA

---PROPRIETARY FUNDS---
**STATEMENTS OF REVENUES, EXPENSES,
 AND CHANGES IN NET ASSETS**
 Year Ended June 30, 2010

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	
OPERATING REVENUES				
Charges for services	\$ 1,717,687	\$ 283,412	\$ 451,040	\$ 2,452,139
Connection fees	3,600	32,400	40,600	76,600
Local consumption tax	5,852	-	-	5,852
Reconnect fees	5,475	4,140	-	9,615
Service charges	5,638	1,233	-	6,871
Late charges and interest	35,323	-	-	35,323
Water haulers	-	48,533	-	48,533
Total operating revenues	<u>\$ 1,773,575</u>	<u>\$ 369,718</u>	<u>\$ 491,640</u>	<u>\$ 2,634,933</u>
OPERATING EXPENSES				
Salaries and wages	\$ 64,196	\$ 107,832	\$ 175,214	\$ 347,242
Contract labor	-	450	65,967	66,417
Employee benefits	18,619	23,500	32,099	74,218
Payroll taxes	4,737	8,275	13,218	26,230
Electric power	1,076,505	-	-	1,076,505
Landfill	-	-	34,535	34,535
Telephone	732	1,209	1,306	3,247
Fines	1,643	-	-	1,643
Small equipment	-	481	1,593	2,074
Supplies	6,093	26,144	49,173	81,410
Repairs and maintenance	52	1,720	2,709	4,481
Vehicle maintenance and generator fuel	6,402	25,675	3,497	35,574
Advertising	-	-	1,922	1,922
Miss Utility	-	110	71	181
Professional services	2,008	34,738	54,157	90,903
Dues	1,498	2,703	6,530	10,731
Uniforms	1,905	1,637	1,029	4,571
Water testing	-	32,952	-	32,952
Insurance	-	-	1,793	1,793
Bond issuance costs	-	1,018	1,018	2,036
Depreciation	51,616	75,344	84,768	211,728
Total operating expenses	<u>\$ 1,236,006</u>	<u>\$ 343,788</u>	<u>\$ 530,599</u>	<u>\$ 2,110,393</u>
Operating income (loss)	<u>\$ 537,569</u>	<u>\$ 25,930</u>	<u>\$ (38,959)</u>	<u>\$ 524,540</u>
NONOPERATING REVENUE (EXPENSE)				
Interest expense	\$ (10,697)	\$ (29,187)	\$ (39,620)	\$ (79,504)
Loss on disposal of assets	-	-	(75,323)	(75,323)
Total nonoperating revenue (expense)	<u>\$ (10,697)</u>	<u>\$ (29,187)</u>	<u>\$ (114,943)</u>	<u>\$ (154,827)</u>
Income (loss) before transfers	<u>\$ 526,872</u>	<u>\$ (3,257)</u>	<u>\$ (153,902)</u>	<u>\$ 369,713</u>

(Continued)

TOWN OF ELKTON, VIRGINIA
---PROPRIETARY FUNDS---
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	
TRANSFERS				
Transfers in	\$ -	\$ 59,978	\$ -	\$ 59,978
Transfers out	<u>(310,803)</u>	<u>-</u>	<u>(152,107)</u>	<u>(462,910)</u>
	<u>\$ (310,803)</u>	<u>\$ 59,978</u>	<u>\$ (152,107)</u>	<u>\$ (402,932)</u>
Change in net assets	\$ 216,069	\$ 56,721	\$ (306,009)	\$ (33,219)
NET ASSETS AT BEGINNING OF YEAR	<u>233,459</u>	<u>1,053,626</u>	<u>1,097,384</u>	<u>2,384,469</u>
NET ASSETS AT END OF YEAR	<u>\$ 449,528</u>	<u>\$ 1,110,347</u>	<u>\$ 791,375</u>	<u>\$ 2,351,250</u>

See Notes to Financial Statements.

TOWN OF ELKTON, VIRGINIA

----PROPRIETARY FUNDS----
 STATEMENTS OF CASH FLOWS
 Year Ended June 30, 2010

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,767,092	\$ 359,171	\$ 476,103	\$ 2,602,366
Cash payments to suppliers of goods and services	(1,257,156)	(159,904)	(265,664)	(1,682,724)
Cash payments to employees	<u>(64,196)</u>	<u>(107,832)</u>	<u>(175,214)</u>	<u>(347,242)</u>
Net cash provided by (used in) operating activities	\$ <u>445,740</u>	\$ <u>91,435</u>	\$ <u>35,225</u>	\$ <u>572,400</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers in from other funds	\$ -	\$ 59,978	\$ -	\$ 59,978
Operating transfers out to other funds	<u>(310,803)</u>	<u>-</u>	<u>(152,107)</u>	<u>(462,910)</u>
Net cash provided by (used in) noncapital financing activities	\$ <u>(310,803)</u>	\$ <u>59,978</u>	\$ <u>(152,107)</u>	\$ <u>(402,932)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from loans	\$ -	\$ -	\$ 329,909	\$ 329,909
Acquisition and construction of capital assets	(3,537)	(109,836)	(136,720)	(250,093)
Principal paid on bond and loans	(119,622)	(12,500)	(36,762)	(168,884)
Interest paid	<u>(11,778)</u>	<u>(29,077)</u>	<u>(39,545)</u>	<u>(80,400)</u>
Net cash provided by (used in) capital and related financing activities	\$ <u>(134,937)</u>	\$ <u>(151,413)</u>	\$ <u>116,882</u>	\$ <u>(169,468)</u>
Net increase (decrease) in cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents:				
Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

TOWN OF ELKTON, VIRGINIA

----PROPRIETARY FUNDS----
STATEMENTS OF CASH FLOWS
 Year Ended June 30, 2010

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income	\$ 537,569	\$ 25,930	\$ (38,959)	\$ 524,540
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Bond issuance costs	-	1,018	1,018	2,036
Depreciation	51,616	75,344	84,768	211,728
Change in assets and liabilities:				
(Increase) decrease in inventories	(12,448)	1,226	(3,934)	(15,156)
(Increase) decrease in accounts receivable	(8,413)	(10,547)	(15,537)	(34,497)
(Increase) decrease in prepaid expenses	(33,839)	(1,235)	(1,636)	(36,710)
Increase (decrease) in accounts payable and accrued expenses	(90,675)	(301)	9,505	(81,471)
Increase (decrease) in deposits	<u>1,930</u>	<u>-</u>	<u>-</u>	<u>1,930</u>
Net cash provided by (used in) operating activities	<u>\$ 445,740</u>	<u>\$ 91,435</u>	<u>\$ 35,225</u>	<u>\$ 572,400</u>

See Notes to Financial Statements.

TOWN OF ELKTON, VIRGINIA
 ----FIDUCIARY FUND----
 STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2010

	<u>Cemetery Fund</u>
ASSETS	
Cash and cash equivalents	\$ 164,906
Receivables:	
Lot sales	1,800
Accrued interest	123
Prepaid expenses	247
Land	381,577
Buildings	2,052
Infrastructure	175,723
Equipment	19,600
Less accumulated depreciation	<u>(56,000)</u>
Total assets	\$ <u>690,028</u>
LIABILITIES	
Accounts payable	\$ 223
Accrued liabilities	3,856
Due to other funds	<u>28,083</u>
Total liabilities	\$ <u>32,162</u>
NET ASSETS	\$ <u>657,866</u>

See Notes to Financial Statements.

TOWN OF ELKTON, VIRGINIA

----FIDUCIARY FUND----
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2010

	<u>Cemetery Fund</u>
ADDITIONS	
Sale of lots	\$ 17,400
Interest income	7,070
Grave digging revenue	18,800
Donations	<u>850</u>
Total additions	<u>\$ 44,120</u>
 DEDUCTIONS	
Salaries and wages	\$ 27,665
Employee benefits	4,105
Supplies	8,605
Depreciation	7,172
Payroll taxes	2,113
Other deductions	<u>3,490</u>
Total deductions	<u>\$ 53,150</u>
Change in net assets	\$ (9,030)
 NET ASSETS AT BEGINNING OF YEAR	 <u>666,896</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 657,866</u>

See Notes to Financial Statements.

TOWN OF ELKTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Elkton, Virginia, conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the most significant policies:

A. Reporting Entity

The Town of Elkton, Virginia, is a municipality governed by a six-member Town Council and Mayor. Daily operations are conducted by the Treasurer with oversight from the Mayor and Town Council. In determining the reporting entity, the Town complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity." Based on the criteria provided in that Statement there are no agencies or entities that should be presented with the Town.

B. Governmental Accounting Standards

The Town follows the general provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement identifies the financial reporting requirements of state and local governments.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)Government-Wide Financial Statements

The Town government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Town are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

The Town applies all applicable GASB pronouncements (including all National Council on Governmental Accounting Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the Town applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements, to its business-type activities.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 45 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property taxes, sales and use taxes, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The General Fund is the Town's only governmental fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town reports the following major proprietary funds:

Electric, Water and Sewer Funds-account for the activities related to the provision of electric, water and sewer services to Town’s business, residents, schools, and churches. They operate the electric plant, electric distribution system, water treatment and sewer treatment plants, water distribution systems, sewer collection systems, and pump stations.

Fiduciary Fund Financial Statements

The Town’s fiduciary fund is presented in the fund financial statements by type (private purpose). Since by definition these assets are being held for the benefit of a third party (private purpose) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as agent for individuals, private organizations, and other governments. The fiduciary fund of the Town is the Cemetery Fund. For accounting measurement purposes, the Cemetery Fund is accounted for in essentially the same manner as proprietary funds.

E. Assets, Liabilities and EquityCash and Cash Equivalents

For purposes of reporting cash flows, the Town considers all cash on hand, checking accounts, savings accounts, money market funds and highly liquid instruments with a maturity of three months or less to be cash and cash equivalents. All certificates of deposit, regardless of maturity, are considered to be cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical collection data and specific account analysis. Major receivable balances for the governmental activities include sales and use taxes, meals taxes and utility taxes. Business-type activities report utilities and interest earnings as their major receivables. The Town grants credit to the customers of its electric, water, sewer and trash systems. The customers are either local businesses or residents.

In the fund financial statements, major receivable balances and the allowances for uncollectible accounts are the same as those in the governmental and business-type activities.

Property Taxes

Real estate and personal property taxes are assessed annually by Rockingham County, Virginia, for all property of record as of January 1. Property taxes attach as an enforceable lien on property as of January 1. The Town collects real estate and personal property taxes on an annual basis (due December 5). The portion of the tax receivable that is not collected within 45 days after June 30 is shown as deferred revenue in the fund financial statements. A penalty of 10 percent of the tax is assessed after the applicable payment date.

The taxes receivable balance at June 30, 2010, includes amounts not yet billed or received from the January 1, 2010, levy (due December 5, 2010). These items are included in deferred revenue since these taxes are restricted for use until fiscal year 2011.

The Town calculates its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. The allowance at June 30, 2010, amounted to \$20,662.

Inventory

Proprietary fund inventory is reported at the lower of cost (first-in, first-out method) or market. Inventory in the Governmental Fund is reported at cost (first-in, first-out method) and consists of expendable supplies held for consumption.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund Receivables and Payables

During the course of operations transactions occur that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivable and payables between funds are eliminated in the Statement of Net Assets.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in the governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns. In general, the Town defines capital assets as assets with an initial, individual cost of more than \$1,000 (not rounded) and an estimated useful life in excess of one year. Capital assets are carried at historical cost except for donated capital assets that are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Generation Project	15 years
Electric Plant	25-36 years
Utility System	20-50 years
Equipment	5-20 years
Infrastructure	25-40 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Unamortized Bond Discount and Premium

The Town is amortizing bond discount and premium costs by the straight-line method over the term of the bond payable to the Virginia Municipal League.

Long-Term Debt

The accounting treatment of the long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but not used vacation and sick pay benefits. The Town pays a benefit for accumulated sick leave upon an employee's separation from service to the extent the employee meets certain criteria. Vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported for compensated absences in governmental funds only to the extent that it is expected to be liquidated with expendable available financial resources.

Deferred Revenue

Deferred revenue is recorded when asset recognition criteria (measurable) have been met, but revenue recognition (available) criteria have not been met.

Equity Classifications*Government-Wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt-consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets-consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets-all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Proprietary fund equity is classified the same as in the government-wide statements.

F. Revenues, Expenditures, and ExpensesGovernmental Fund Revenues

As mentioned above, governmental fund revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, property taxes not collected within 45 days after year-end are reflected as deferred revenues-uncollected property taxes. The Town recognizes sales and utility taxes remitted to the Town as revenues and receivables in the month preceding receipt. Licenses and permits are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of specific expenditure.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They also include all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified by function for the governmental fund and by operating and nonoperating for the proprietary funds.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to the use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers.

Advertising

The Town expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. Advertising expenditures in the General Fund were \$7,029, for the year ended June 30, 2010. Advertising expenses in the Electric, Water and Sewer Funds for the year ended June 30, 2010, were \$0, \$0, and \$1,922, respectively. Advertising expense in the Cemetery Fund for the year ended June 30, 2010, was \$50.

Fringe benefits

Fringe benefits of the Town include:

- a. Pension Plan - Employees of the Town participate in the Virginia Retirement System (VRS). VRS is administered by the Commonwealth, which bills the Town for the employer share of contributions. VRS is obligated to pay a monthly benefit to participants upon retirement with the amount of the benefit depending on length of service and earnings.
- b. Social Security System - All employees participate in the Federal Social Security Program. The employer share of FICA taxes for the employees is the responsibility of the Town.
- c. Health Insurance - The Town provides health insurance coverage for all full-time, salaried permanent employees.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

G. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires the Town to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Town's policy is to apply restricted net assets first.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Town Council's control is exercised through budgeting. The Town budget is developed for informative and fiscal planning purposes only and presents an itemized listing of contemplated expenditures and estimated revenues for the ensuing fiscal year. The Town Council approves the budget after a public hearing.

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. Amounts shown in the accompanying financial statements as "budget" represent the original and final operating budgets for the fiscal year 2010.

A budget is also adopted for the Enterprise Funds as an operating guideline. Budget to actual information is shown as other supplementary information. Below is a summary of budgeted information that is not included in the Enterprise Fund's Statements of Revenues, Expenses and Changes in Net Assets - Budget and Actual:

	Final Budget	Actual
ELECTRIC FUND		
Capital outlay	\$ (13,000)	\$ (3,537)
Principal paid on loan	(45,000)	(119,622)
WATER FUND		
Capital outlay	(125,362)	(109,836)
Principal paid on loan	(15,000)	(12,500)
SEWER FUND		
Proceeds received from loan	3,400,000	329,909
Capital outlay	(3,410,000)	(136,721)
Principal paid on loans	(76,805)	(36,762)
	<u>\$ (285,167)</u>	<u>\$ (89,069)</u>

NOTES TO FINANCIAL STATEMENTS

Note 2. Stewardship, Compliance, and Accountability (Continued)

A budget is also adopted for the Fiduciary Funds as an operating guideline. Below is a summary of budgeted information that is not included in the Fiduciary Fund's Statement of Changes in Fiduciary Net Assets:

	<u>Final Budget</u>	<u>Actual</u>
CEMETERY FUND		
Lot sales	\$ 37,000	\$ 17,400
Salaries and wages	(32,417)	(27,665)
Other deductions	(2,500)	(18,813)
Capital outlay	<u>(21,269)</u>	<u>-</u>
	<u>\$ (19,186)</u>	<u>\$ (29,078)</u>

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2010, General Fund expenditures exceeded appropriations in Community Development by \$3,890. These expenditures were funded by greater than anticipated revenues.

Note 3. Cash and Cash Equivalents

Deposits

Below is a summary of the Town's accounts/deposits at June 30, 2010:

<u>General</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking (Bank of America)	\$ 659,301	\$ 810,875
Checking (Farmers & Merchants Bank)	11,151	11,151
Investment Account (RBC Dain Rauscher)	444,486	444,486
Checking (BB&T - Virginia)	1,706	1,706
Checking (United Bank)	4,363	4,363
Certificate of deposit (Bank of America)	144,081	144,081
Certificate of deposit (Bank of America)	124,770	124,770
Petty cash	270	270
 <u>Cemetery</u>		
Checking (Bank of America)	2,305	2,304
Savings (Bank of America)	19,915	19,915
Certificate of deposit (Bank of America)	<u>142,686</u>	<u>142,686</u>
Total reporting entity	<u>\$ 1,555,034</u>	<u>\$ 1,706,607</u>

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Cash Equivalents (Continued)

During the year ended June 30, 2010, cash and cash equivalents in the Electric, Water and Sewer Funds were transferred to the General Fund. As a result of the transfer, interest income is recorded in the General Fund. The Electric, Water and Sewer Funds do not reflect any interest income or accrued interest receivable for the fiscal year.

Note 4. Receivables

Receivables as of June 30, 2010, for the government's individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Receivables:				
Interest	\$ 1,176	\$ -	\$ 123	\$ 1,299
Property taxes	331,526	-	-	331,526
Refuse	19,300	-	-	19,300
Other taxes:				
Consumption tax	-	411	-	411
Accounts	<u>21,676</u>	<u>273,953</u>	-	<u>295,629</u>
Gross receivables	\$ 373,678	\$ 274,364	\$ 123	\$ 648,165
Less: allowance for uncollectibles	<u>(27,047)</u>	<u>(37,298)</u>	-	<u>(64,345)</u>
Net total receivables	<u>\$ 346,631</u>	<u>\$ 237,066</u>	<u>\$ 123</u>	<u>\$ 583,820</u>

Note 5. Due from Other Governmental Units and Businesses

Due from other governmental units and businesses consists of the following:

General Fund:

Federal:	
DMV grants - police	\$ 3,462
U.S. Forest Service grant	35
Commonwealth of Virginia:	
Local sales and use taxes	8,389
County of Rockingham:	
Court fines	3,764
Local restaurants:	
Meals taxes	45,379
Local utility providers:	
Utility taxes	4,702
Park Authority of the Town of Elkton	
Demand note receivable	<u>50,425</u>
	<u>\$ 116,156</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 2,383,856	\$ -	\$ -	\$ 2,383,856
Total capital assets not being depreciated	<u>\$ 2,383,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,383,856</u>
Capital assets being depreciated				
Buildings	\$ 3,569,482	\$ 2,367	\$ (1,196)	\$ 3,570,653
Machinery and equipment	913,436	44,826	(44,068)	914,194
Infrastructure	<u>685,468</u>	<u>46,936</u>	<u>-</u>	<u>732,404</u>
Total capital assets being depreciated	<u>\$ 5,168,386</u>	<u>\$ 94,129</u>	<u>\$ (45,264)</u>	<u>\$ 5,217,251</u>
Less accumulated depreciation for				
Buildings	\$ 472,697	\$ 80,597	\$ (308)	\$ 552,986
Machinery and equipment	439,911	96,680	(36,277)	500,314
Infrastructure	<u>73,686</u>	<u>18,669</u>	<u>-</u>	<u>92,355</u>
Total accumulated depreciation	<u>\$ 986,294</u>	<u>\$ 195,946</u>	<u>\$ (36,585)</u>	<u>\$ 1,145,655</u>
Total capital assets being depreciated, net	<u>\$ 4,182,092</u>	<u>\$ (101,817)</u>	<u>\$ (8,679)</u>	<u>\$ 4,071,596</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 6,565,948</u>	<u>\$ (101,817)</u>	<u>\$ (8,679)</u>	<u>\$ 6,455,452</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 41,056	\$ -	\$ -	\$ 41,056
Total capital assets not being depreciated	<u>\$ 41,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,056</u>
Capital assets being depreciated				
Utility system	\$ 5,992,863	\$ 248,399	\$ (186,626)	\$ 6,054,636
Machinery and equipment	<u>655,985</u>	<u>1,694</u>	<u>-</u>	<u>657,679</u>
Total capital assets being depreciated	<u>\$ 6,648,848</u>	<u>\$ 250,093</u>	<u>\$ (186,626)</u>	<u>\$ 6,712,315</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for				
Utility system	\$ 2,398,602	\$ 151,407	\$ (112,209)	\$ 2,437,800
Machinery and equipment	<u>212,737</u>	<u>60,321</u>	<u>-</u>	<u>273,058</u>
Total accumulated depreciation	<u>\$ 2,611,339</u>	<u>\$ 211,728</u>	<u>\$ (112,209)</u>	<u>\$ 2,710,858</u>
Total capital assets being depreciated, net	<u>\$ 4,037,509</u>	<u>\$ 38,365</u>	<u>\$ (74,417)</u>	<u>\$ 4,001,457</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 4,078,565</u>	<u>\$ 38,365</u>	<u>\$ (74,417)</u>	<u>\$ 4,042,513</u>
FIDUCIARY-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 47,357	\$ 334,221	\$ -	\$ 381,578
Total capital assets not being depreciated	<u>\$ 47,357</u>	<u>\$ 334,221</u>	<u>\$ -</u>	<u>\$ 381,578</u>
Capital assets being depreciated				
Buildings	\$ 2,052	\$ -	\$ -	\$ 2,052
Infrastructure	175,722	-	-	175,722
Machinery and equipment	<u>21,700</u>	<u>-</u>	<u>(2,100)</u>	<u>19,600</u>
Total capital assets being depreciated	<u>\$ 199,474</u>	<u>\$ -</u>	<u>\$ (2,100)</u>	<u>\$ 197,374</u>
Less accumulated depreciation for				
Buildings	\$ 1,149	\$ 82	\$ -	\$ 1,231
Infrastructure	34,472	5,611	-	40,083
Machinery and equipment	<u>15,307</u>	<u>1,479</u>	<u>(2,100)</u>	<u>14,686</u>
Total accumulated depreciation	<u>\$ 50,928</u>	<u>\$ 7,172</u>	<u>\$ (2,100)</u>	<u>\$ 56,000</u>
Total capital assets being depreciated, net	<u>\$ 148,546</u>	<u>\$ (7,172)</u>	<u>\$ -</u>	<u>\$ 141,374</u>
FIDUCIARY-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 195,903</u>	<u>\$ 327,049</u>	<u>\$ -</u>	<u>\$ 522,952</u>

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

GOVERNMENTAL ACTIVITIES

General government administration	\$ 66,290
Community Center	57,748
Public safety	35,755
Public works	<u>36,153</u>

Total depreciation expense-governmental activities \$ 195,946

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

BUSINESS-TYPE ACTIVITIES

Electric	\$ 51,616
Water	75,344
Sewer	<u>84,768</u>
Total depreciation expense-business-type activities	<u>\$ 211,728</u>

FIDUCIARY-TYPE ACTIVITIES

Cemetery	\$ <u>7,172</u>
Total depreciation expense-fiduciary-type activities	<u>\$ 7,172</u>

Note 7. Deferred & Unearned Revenue

The following is a summary of deferred and unearned revenue by fund/activity at June 30, 2010:

Fund Statements

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Property taxes billed in fiscal year 2011	\$ 269,234	\$ -	\$ -
Uncollected property tax billing	40,507	-	-
Unamortized bond premium	<u>-</u>	<u>4,719</u>	<u>4,719</u>
	<u>\$ 309,741</u>	<u>\$ 4,719</u>	<u>\$ 4,719</u>

Government-Wide Statements

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property taxes billed in fiscal year 2011	\$ 269,234	\$ -
Unamortized bond premium	<u>-</u>	<u>9,438</u>
	<u>\$ 269,234</u>	<u>\$ 9,438</u>

Note 8. Long-Term Debt

A summary of long-term debt activity for the year ended June 30, 2010, is as follows. Additional detailed information is available on the following pages.

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within One Year</u>
<u>Governmental-type activities</u>					
<i>General Fund</i>					
Bonds payable:					
United Bank	\$ 700,000	\$ -	\$ (50,000)	\$ 650,000	\$ 50,000
Farmers and Merchants Bank	700,000	-	(50,000)	650,000	50,000

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within One Year</u>
<u>Governmental-type activities</u>					
<i>General Fund (Continued)</i>					
Notes payable:					
Kite Charitable Remainder Trust	\$ 327,659	\$ -	\$ (18,003)	\$ 309,656	\$ 32,362
Farmers and Merchants Bank	1,577,024	-	(59,116)	1,517,908	61,982
Joseph H. Kite, Jr.	717,577	-	(40,203)	677,374	56,285
Lease payable:					
Joe Bowman Chevrolet, Inc. (Silverado)	11,536	-	(9,149)	2,387	2,387
	<u>\$4,033,796</u>	<u>\$ -</u>	<u>\$ (226,471)</u>	<u>\$ 3,807,325</u>	<u>\$ 253,016</u>
<u>Business-type activities</u>					
<i>Electric Fund</i>					
Loans payable:					
Farmers & Merchants Bank	\$ 340,832	\$ -	\$ (119,622)	\$ 221,210	\$ 124,477
<i>Water Fund</i>					
Bond payable:					
Virginia Municipal League	642,500	-	(12,500)	630,000	12,500
<i>Sewer Fund</i>					
Bond payable:					
Virginia Municipal League	642,500	-	(12,500)	630,000	12,500
Loans payable:					
Virginia Resources Authority	-	329,909	-	329,909	-
Kansas State Bank	69,264	-	(14,190)	55,074	13,405
Rural Development	157,132	-	(10,072)	147,060	10,562
	<u>\$1,852,228</u>	<u>\$ 329,909</u>	<u>\$ (168,884)</u>	<u>\$ 2,013,253</u>	<u>\$ 173,444</u>

On January 15, 2003, the Town issued a general obligation bond to United Bank in the amount of \$1,000,000. Proceeds from the note were used to pay for land. The note is being repaid in annual installments of \$50,000, with semi-annual interest payments at 3.80 percent. The bond matures July 15, 2022. The note is payable from funds available and appropriated for payment of the note. A pledge of the full faith and credit of the Town has been made. As of June 30, 2010, \$350,000 has been applied against the principal portion of the bond. Total interest expense incurred on the loan for year ended June 30, 2010, was \$24,775.

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

On January 15, 2003, the Town issued a general obligation bond to Farmers and Merchants Bank in the amount of \$1,000,000. Proceeds from the note were used to pay for land. The note is being repaid in annual installments of \$50,000, with semi-annual interest payments at 3.80 percent. The bond matures July 15, 2022. The note is payable from funds available and appropriated for payment of the note. A pledge of the full faith and credit of the Town has been made. As of June 30, 2010, \$350,000 has been applied against the principal portion of the bond. Total interest expense incurred on the loan for year ended June 30, 2010, was \$24,775.

The Town signed a note with Kite Charitable Remainder Trust on February 1, 1999, to purchase four tracts of land. Total loan proceeds were \$667,477. The loan bears 7.5 percent interest and is backed by the full faith and credit of the Town. The financing agreement states that commencing February 1, 1999, and continuing monthly thereafter, the Town is required to make \$4,172 installment payments on the loan. Payments on the loan will continue until Ms. Mary Elizabeth Kite's death. As of June 30, 2010, \$357,821 has been applied against the principal portion of the loan. Total interest expense incurred on the loan for year ended June 30, 2010, was \$18,809.

The Town signed a line of credit in the amount of \$1,700,000 with Farmers and Merchants Bank on January 11, 2006. Proceeds from the loan were to be used for construction and remodeling of the Community Center. This loan was refinanced on March 1, 2007, into a twenty-year loan. The initial interest rate is 4.50 percent for the first ten years of the loan with adjustments after each subsequent five-year period. The loan is backed by the full faith and credit of the Town. The financing agreement states that commencing June 1, 2007, and continuing quarterly thereafter, the Town is required to make \$32,521 installment payments on the loan. The loan matures March 1, 2027. As of June 30, 2010, \$182,092 has been applied against the principal portion of the loan. Total interest expense incurred on the loan for the year ended June 30, 2010, was \$70,748.

The Town signed a note with Joseph H. Kite, Jr., on April 3, 2006, to purchase 115.915 acres of land at Spotswood Trail. Total loan proceeds were \$789,943. The loan bears no interest and is backed by the full faith and credit of the Town. The loan will be repaid in annual installments based on a percentage of the original proceeds. The note matures April 4, 2018. As of June 30, 2010, \$112,569 has been applied against the principal portion of the loan.

The Town signed a lease agreement with Joe Bowman Chevrolet, Inc. on October 1, 2007, for the purchase of a 2007 Chevrolet Silverado truck. Total lease proceeds were \$28,285. The lease bears no interest and is backed by the full faith and credit of the Town. The lease requires monthly payments of \$762. The lease matured on October 1, 2010.

On December 28, 2007, the Town received a loan from Farmers & Merchants Bank in the amount of \$400,000. Proceeds from the note were used for installment of a generator. The note is being repaid in quarterly installments of \$32,850, including interest payments at 3.93 percent. The note matures January 1, 2012. The note is payable from funds available and appropriated for payment of the note. A pledge of the full faith and credit of the Town has been made. As of June 30, 2010, \$178,790 has been applied against the principal portion of the note. Total interest expense incurred on the note for the year ended June 30, 2010, was \$11,779.

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

The Town signed a financing agreement with the Virginia Municipal League on December 1, 2005. On December 22, 2005, the Town issued water and sewer revenue bonds (Series 2005B) in the amount of \$1,350,000. As part of the financing agreement, the Town sold the local bonds to US Bank (trustee for Virginia Municipal League) for \$1,350,000. Proceeds from the bonds were used to pay for extending water and sewer lines to recently acquired land. Annual principal payments on the bond commenced August 1, 2006, and will continue through August 1, 2035. The initial principal payment will begin at \$15,000 and will increase periodically until the final principal payment of \$80,000. In addition to the annual principal payments, the Town is making semi-annual interest payments on the outstanding balance at a rate between 4.0 percent to 5.125 percent. The bond is payable from funds available and appropriated for payment of the bond. A pledge of the full faith and credit of the Town has been made. As of June 30, 2010, \$90,000 has been applied against the principal portion of the bond. Total interest expense incurred on the bond for the year ended June 30, 2010, was \$58,373.

In December, 2008, the Town began a sewer plant upgrade project in order to comply with the requirements ordered by the Department of Environmental Quality. The Town signed a zero percent interest loan with the Virginia Resources Authority that commits the Town to approximately \$2.4 million dollars to pay for the project's expenses. This is a twenty-year loan that will require the Town to make an approximate \$150,000 annual payment, beginning six months after the completion of the project. These payments are calculated based upon the total amount of upgrade expenses and are projected to begin in 2012. The loan is secured by the revenues from electric, water, and sewer systems and a pledge of the full faith and credit of the Town.

On December 1, 2008, the Town received a loan from Kansas State Bank of Manhattan in the amount of \$75,563. Proceeds from the note were used for purchase of a belt press system. The note is being repaid in monthly installments of \$1,421. The note matures December 19, 2013. The note is payable from funds available and appropriated for payment of the note. A pledge of the full faith and credit of the Town has been made. As of June 30, 2010, \$20,489 has been applied against the principal portion of the note. Total interest expense incurred on the note for the year ended June 30, 2010 was \$2,864.

On May 5, 1981, the Town signed a loan to the Rural Development in the amount of \$300,000. Proceeds from the note were used to pay for sewer upgrades. The note is being repaid in monthly installments of \$1,473, including interest payments at 5.00 percent. The note matures March 5, 2021. The note is payable from funds available and appropriated for payment of the note. A pledge of the full faith and credit of the Town has been made. As of June 30, 2010, \$152,940 has been applied against the principal portion of the bond. Total interest expense incurred on the loan for year ended June 30, 2010, was \$7,569.

Annual requirements to amortize long-term debt and related interest at June 30, 2010, are as follows:

Governmental-Type Activities

	---- General Obligation Bonds ----							
	Bonds		Bonds		Kite Charitable		Joseph H. Kite, Jr.	
	United Bank		Farmers and Merchants		Remainder Trust			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 50,000	\$ 23,750	\$ 50,000	\$ 23,750	\$ 32,362	\$ 17,699	\$ 56,285	\$ -
2012	50,000	21,850	50,000	21,850	34,358	15,703	64,325	-
2013	50,000	19,950	50,000	19,950	36,477	13,584	80,407	-
2014	50,000	18,050	50,000	18,050	38,727	11,334	80,407	-
2015	50,000	16,150	50,000	16,150	41,115	8,946	80,407	-
2016 - 2020	250,000	52,250	250,000	52,250	126,617	11,048	315,543	-
2021 - 2025	150,000	8,550	150,000	8,550	-	-	-	-
2026 - 2028	-	-	-	-	-	-	-	-
	<u>\$ 650,000</u>	<u>\$ 160,550</u>	<u>\$ 650,000</u>	<u>\$ 160,550</u>	<u>\$ 309,656</u>	<u>\$ 78,314</u>	<u>\$ 677,374</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

Governmental-Type Activities (Continued)

	Community Center Loan		Joe Bowman Chevrolet, Inc.		Totals	
	Farmers and Merchants		Silverado Lease		Principal	Interest
	Principal	Interest	Principal	Interest		
2011	\$ 61,982	\$ 68,191	\$ 2,387	\$ -	\$ 253,016	\$ 133,390
2012	64,584	65,499	-	-	263,267	124,902
2013	67,761	62,322	-	-	284,645	115,806
2014	70,908	59,276	-	-	290,042	106,710
2015	74,197	55,885	-	-	295,719	97,131
2016 - 2020	425,423	224,836	-	-	1,367,583	340,384
2021 - 2025	534,082	115,909	-	-	834,082	133,009
2026 - 2028	218,971	9,858	-	-	218,971	9,858
	<u>\$1,517,908</u>	<u>\$661,776</u>	<u>\$ 2,387</u>	<u>\$ -</u>	<u>\$ 3,807,325</u>	<u>\$ 1,061,190</u>

Business-Type Activities

	Generator Loan		Virginia Municipal League		Belt Press Loan		Virginia Resources Authority	
	Farmers & Merchants		Principal	Interest	Kansas State Bank		Principal	Interest
	Principal	Interest			Principal	Interest		
2011	\$ 124,477	\$ 6,964	\$ 25,000	\$ 57,239	\$ 13,405	\$ 3,649	\$ -	\$ -
2012	96,733	1,932	30,000	56,139	14,511	2,544	150,000	-
2013	-	-	30,000	54,939	15,707	1,347	150,000	-
2014	-	-	30,000	53,739	11,451	194	29,909	-
2015	-	-	30,000	52,539	-	-	-	-
2016 - 2020	-	-	185,000	241,484	-	-	-	-
2021 - 2025	-	-	220,000	198,610	-	-	-	-
2026 - 2030	-	-	280,000	142,813	-	-	-	-
2031 - 2035	-	-	350,000	66,881	-	-	-	-
2036 - 2039	-	-	80,000	2,050	-	-	-	-
	<u>\$ 221,210</u>	<u>\$ 8,896</u>	<u>\$ 1,260,000</u>	<u>\$ 926,433</u>	<u>\$ 55,074</u>	<u>\$ 7,734</u>	<u>\$ 329,909</u>	<u>\$ -</u>

	Rural Development		Totals	
	Principal	Interest	Principal	Interest
2011	\$ 10,562	\$ 7,114	\$ 173,444	\$ 74,966
2012	11,102	6,574	302,346	67,189
2013	11,671	6,005	207,378	62,291
2014	12,268	5,408	83,628	59,341
2015	12,895	4,781	42,895	57,320
2016 - 2020	75,074	13,306	260,074	254,790
2021 - 2025	13,488	292	233,488	198,902
2026 - 2030	-	-	280,000	142,813
2031 - 2035	-	-	350,000	66,881
2036 - 2040	-	-	80,000	2,050
	<u>\$ 147,060</u>	<u>\$ 43,480</u>	<u>\$ 2,013,253</u>	<u>\$ 986,543</u>

NOTES TO FINANCIAL STATEMENTS

Note 9. Interfund Transfers

Interfund transfers during the year ended June 30, 2010, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 491,536	\$ 88,604
Electric Fund	-	310,803
Water Fund	59,978	-
Sewer Fund	-	152,107
	<u>\$ 551,514</u>	<u>\$ 551,514</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 10. Defined Benefit Pension PlanPlan Description

The Town contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension administered by the Virginia Retirement System. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers, firefighters, and sheriffs) and at age 50 with 30 years of service if elected by the employer (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85 percent for sheriffs and, if the employer elects, other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement. The COLA is limited to 5 percent per year. AFC is defined as the highest consecutive 36 months of reported compensation. Sheriffs and participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report is available at the VRS website (www.varetire.org) or may be obtained by writing to the System at P. O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual reported compensation to the VRS. The employer has assumed this 5 percent member contribution. In addition, the Town of Elkton, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Town of Elkton's contribution rate for the fiscal year ended June 30, 2010, was 10 percent of the annual covered payroll.

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined Benefit Pension Plan (Continued)Annual Pension Cost

For 2010, the Town's annual pension cost of \$88,359 for VRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year for general government employees and 3.50 percent to 4.75 percent per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs and (c) 2.50 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50 percent. The actuarial value of the Plan's assets is equal to the modified market value of assets. This method use techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period as of June 30, 2007 was 20 years.

Three-Year Trend Information for the Town of Elkton

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	\$ 78,886	100%	\$ -
6/30/09	81,027	100%	-
6/30/10	88,359	100%	-

Funding Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 95.76 percent funded. The actuarial accrued liability for benefits was \$2,769,667, and the actuarial value of assets was \$2,652,164, resulting in an underfunded actuarial accrued liability (UAAL) of (\$117,503). The covered payroll (annual payroll of active employees covered by the plan) was \$905,187, and the ratio of the UAAL to the covered payroll was 12.98 percent.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 11. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To reduce insurance costs and the need for self-insurance, the Town has joined with other municipalities in the Commonwealth of Virginia in a public entity risk pool that operates common risk management and insurance programs for member municipalities. The Town is not self-insured.

The Town has insurance coverage with the Virginia Municipal Group Self Insurance Association. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion that the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town's settled claims have not exceeded insurance coverage in any of the past three fiscal years.

**Required Supplementary Information-
Other than Management's Discussion and Analysis**

TOWN OF ELKTON, VIRGINIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
General property taxes	\$ 221,903	\$ 225,403	\$ 209,206	\$ (16,197)
Other local taxes	798,800	811,328	875,131	63,803
Permits, privilege fees and regulatory licenses	-	4,000	2,017	(1,983)
Fines and forfeitures	-	15,100	26,595	11,495
Use of money and property	2,000	500	17,832	17,332
Charges for services	279,100	292,000	298,375	6,375
Miscellaneous	4,500	2,000	73,317	71,317
Intergovernmental revenues:				
County	66,500	66,500	66,500	-
Commonwealth	441,197	313,097	443,231	130,134
Federal	-	-	18,552	18,552
Total revenues	<u>\$ 1,814,000</u>	<u>\$ 1,729,928</u>	<u>\$ 2,030,756</u>	<u>\$ 300,828</u>
EXPENDITURES				
General government administration	\$ 695,352	\$ 662,017	\$ 632,709	\$ 29,308
Public safety	382,000	421,685	411,248	10,437
Public works	540,250	568,802	553,972	14,830
Cultural and recreation	250,100	248,603	229,309	19,294
Community development	27,000	10,000	13,890	(3,890)
Debt service	323,080	466,553	384,967	81,586
Total expenditures	<u>\$ 2,217,782</u>	<u>\$ 2,377,660</u>	<u>\$ 2,226,095</u>	<u>\$ 151,565</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (403,782)</u>	<u>\$ (647,732)</u>	<u>\$ (195,339)</u>	<u>\$ 452,393</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 491,536	\$ 491,536
Transfers out	-	-	(88,604)	(88,604)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402,932</u>	<u>\$ 402,932</u>
Net change in fund balance	<u>\$ (403,782)</u>	<u>\$ (647,732)</u>	<u>\$ 207,593</u>	<u>\$ 855,325</u>
FUND BALANCE AT BEGINNING OF YEAR				
	<u>1,315,245</u>	<u>1,315,245</u>	<u>1,315,245</u>	<u>-</u>
FUND BALANCE AT END OF YEAR				
	<u>\$ 911,463</u>	<u>\$ 667,513</u>	<u>\$ 1,522,838</u>	<u>\$ 855,325</u>

TOWN OF ELKTON, VIRGINIA
SCHEDULE OF FUNDING PROGRESS -
DEFINED BENEFIT PENSION PLAN

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) --Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/07	\$ 2,558,345	\$2,409,752	\$ (148,593)	106.17%	\$ 837,588	(17.74%)
6/30/08	2,740,412	2,642,163	(98,249)	103.72%	829,558	(11.84%)
6/30/09	2,652,164	2,769,667	117,503	95.76%	905,187	12.98%

Other Supplementary Information

TOWN OF ELKTON, VIRGINIA

GENERAL FUND
STATEMENT OF REVENUES, COMPARED TO BUDGET
Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
GENERAL PROPERTY TAXES			
Real estate	\$ 156,000	\$ 155,142	\$ (858)
Personal property	62,403	45,729	(16,674)
Penalties and interest	7,000	8,335	1,335
	<u>\$ 225,403</u>	<u>\$ 209,206</u>	<u>\$ (16,197)</u>
OTHER LOCAL TAXES			
Local sales and use	\$ 95,000	\$ 93,896	\$ (1,104)
Consumer utility	60,000	55,424	(4,576)
Business licenses	93,328	90,344	(2,984)
Motor vehicle licenses	45,000	44,716	(284)
Bank stock	73,000	97,730	24,730
Meals	445,000	493,021	48,021
	<u>\$ 811,328</u>	<u>\$ 875,131</u>	<u>\$ 63,803</u>
PERMITS, PRIVILEGE FEES AND REGULATORY LICENSES			
Permits	\$ 4,000	\$ 2,017	\$ (1,983)
	<u>\$ 4,000</u>	<u>\$ 2,017</u>	<u>\$ (1,983)</u>
FINES AND FORFEITURES			
	<u>\$ 15,100</u>	<u>\$ 26,595</u>	<u>\$ 11,495</u>
	<u>\$ 15,100</u>	<u>\$ 26,595</u>	<u>\$ 11,495</u>
REVENUE FROM THE USE OF MONEY AND PROPERTY			
Interest on bank deposits	\$ 500	\$ 12,837	\$ 12,337
Net increase in the fair value of investments	-	4,995	4,995
	<u>\$ 500</u>	<u>\$ 17,832</u>	<u>\$ 17,332</u>
CHARGES FOR SERVICES			
Charges for sanitation and waste removal	\$ 145,000	\$ 150,203	\$ 5,203
Community Center revenue	84,000	77,975	(6,025)
Charges for recreation	61,500	69,552	8,052
Mowing and brush grinding	1,500	645	(855)
	<u>\$ 292,000</u>	<u>\$ 298,375</u>	<u>\$ 6,375</u>
MISCELLANEOUS			
HEC rollover	\$ -	\$ 54,466	\$ 54,466
Contributions - Community Center	-	11,480	11,480
Other	2,000	7,371	5,371
	<u>\$ 2,000</u>	<u>\$ 73,317</u>	<u>\$ 71,317</u>

(Continued)

TOWN OF ELKTON, VIRGINIA
 GENERAL FUND
 STATEMENT OF REVENUES, COMPARED TO BUDGET
 Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
INTERGOVERNMENTAL REVENUES			
County			
Community Center funds	\$ 66,500	\$ 66,500	\$ -
	<u>\$ 66,500</u>	<u>\$ 66,500</u>	<u>\$ -</u>
Commonwealth			
Rolling stock taxes	\$ 4,000	\$ 3,234	\$ (766)
Street and highway maintenance	235,000	353,010	118,010
Law enforcement grants, 599 funds	46,000	50,890	4,890
Fire program grant	-	8,000	8,000
Personal property tax reimbursement	28,097	28,097	-
	<u>\$ 313,097</u>	<u>\$ 443,231</u>	<u>\$ 130,134</u>
Federal			
DMV grants - police	\$ -	\$ 5,191	\$ 5,191
U.S. Forest Service grant	-	13,361	13,361
	<u>\$ -</u>	<u>\$ 18,552</u>	<u>\$ 18,552</u>
Total revenues	<u>\$ 1,729,928</u>	<u>\$ 2,030,756</u>	<u>\$ 300,828</u>

TOWN OF ELKTON, VIRGINIA

GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
GENERAL GOVERNMENT ADMINISTRATION			
General Government			
Salaries and wages	\$ 259,740	\$ 248,597	\$ 11,143
Contract labor	6,000	6,800	(800)
Conventions and meetings	2,000	3,123	(1,123)
Contributions	7,500	50	7,450
Employee benefits	56,718	64,427	(7,709)
Insurance and surety bonds	106,000	89,077	16,923
Professional services	98,000	77,535	20,465
Planning Commission	500	1,120	(620)
Miscellaneous	500	1,110	(610)
Payroll taxes	20,189	27,058	(6,869)
Repairs and maintenance	31,370	30,287	1,083
Supplies	14,000	15,820	(1,820)
Telephone	16,000	18,457	(2,457)
Utilities	-	3,563	(3,563)
Leases, property and equipment	2,000	3,350	(1,350)
Return check fees	5,000	5,739	(739)
Postage	15,500	16,067	(567)
Small equipment	500	486	14
Dues	4,000	1,184	2,816
Advertising	5,000	4,703	297
Special events	8,000	5,534	2,466
Vehicle fuel mileage	1,500	6,255	(4,755)
	<u>\$ 660,017</u>	<u>\$ 630,342</u>	<u>\$ 29,675</u>
Capital Outlay			
General government	\$ 2,000	\$ 2,367	\$ (367)
	<u>\$ 2,000</u>	<u>\$ 2,367</u>	<u>\$ (367)</u>
Total general government administration	<u>\$ 662,017</u>	<u>\$ 632,709</u>	<u>\$ 29,308</u>
PUBLIC SAFETY			
Police Department			
Salaries and wages	\$ 285,005	\$ 277,727	\$ 7,278
Conventions and meetings	3,500	28	3,472
Employee benefits	65,913	62,622	3,291
Professional services	5,000	1,889	3,111
Miscellaneous	2,500	350	2,150
Payroll taxes	21,037	21,580	(543)
Repairs and maintenance	500	2,487	(1,987)
Supplies	3,500	5,517	(2,017)

(Continued)

TOWN OF ELKTON, VIRGINIA

GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Telephone	\$ 3,000	\$ 2,206	\$ 794
Uniforms	2,000	4,593	(2,593)
Vehicle maintenance	14,000	16,447	(2,447)
Special events	-	191	(191)
Small equipment	2,000	1,487	513
Advertising	1,000	875	125
Dues	3,500	3,710	(210)
Postage	500	129	371
	<u>\$ 412,955</u>	<u>\$ 401,838</u>	<u>\$ 11,117</u>
Other			
Fire program funds	\$ -	\$ 8,000	\$ (8,000)
	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ (8,000)</u>
Capital Outlay			
Public safety	\$ 8,730	\$ 1,410	\$ 7,320
	<u>\$ 8,730</u>	<u>\$ 1,410</u>	<u>\$ 7,320</u>
Total public safety	<u>\$ 421,685</u>	<u>\$ 411,248</u>	<u>\$ 10,437</u>
PUBLIC WORKS			
Maintenance and Streets			
Salaries and wages	\$ 134,804	\$ 138,968	\$ (4,164)
Dues	1,500	700	800
Contract labor	800	325	475
Employee benefits	21,246	23,280	(2,034)
Conventions and meetings	500	391	109
Professional services	1,500	4,725	(3,225)
Advertising	500	367	133
Payroll taxes	13,558	10,783	2,775
Repairs and maintenance	10,000	4,752	5,248
Supplies	15,100	16,237	(1,137)
Postage	162	-	162
Telephone	1,500	697	803
Vehicle maintenance	11,000	20,256	(9,256)
Small equipment	1,500	1,189	311
Uniforms	2,000	1,741	259
	<u>\$ 215,670</u>	<u>\$ 224,411</u>	<u>\$ (8,741)</u>

(Continued)

TOWN OF ELKTON, VIRGINIA
GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sanitation			
Salaries and wages	\$ 33,477	\$ 45,943	\$ (12,466)
Employee benefits	3,794	11,277	(7,483)
Payroll taxes	2,561	3,517	(956)
Landfill fees	80,000	59,037	20,963
Trash removal	132,000	121,323	10,677
Telephone	700	358	342
Advertising	500	115	385
Miscellaneous	-	22	(22)
Supplies	100	-	100
Uniforms	-	1,583	(1,583)
	<u>\$ 253,132</u>	<u>\$ 243,175</u>	<u>\$ 9,957</u>
Capital Outlay			
Public works	\$ 100,000	\$ 86,386	\$ 13,614
	<u>\$ 100,000</u>	<u>\$ 86,386</u>	<u>\$ 13,614</u>
Total public works	<u>\$ 568,802</u>	<u>\$ 553,972</u>	<u>\$ 14,830</u>
CULTURAL AND RECREATION			
Community Center			
Salaries and wages	\$ 120,570	\$ 114,049	\$ 6,521
Contract labor	500	800	(300)
Conventions and meetings	1,000	209	791
Employee benefits	15,252	9,055	6,197
Advertising	2,500	879	1,621
Payroll taxes	9,197	8,685	512
Repairs and maintenance	13,000	11,710	1,290
Supplies	5,000	8,486	(3,486)
Small equipment	500	230	270
Dues	500	140	360
Telephone	4,300	3,892	408
Professional services	2,000	1,842	158
Special events	1,000	3,227	(2,227)
Postage	500	1,244	(744)
	<u>\$ 175,819</u>	<u>\$ 164,448</u>	<u>\$ 11,371</u>

(Continued)

TOWN OF ELKTON, VIRGINIA

GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
 Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Recreation			
Salaries and wages	\$ 24,784	\$ 37,788	\$ (13,004)
Contract labor	3,500	-	3,500
Conventions and meetings	500	179	321
Employee benefits	5,618	8,351	(2,733)
Telephone	100	366	(266)
Advertising	500	90	410
Payroll taxes	1,982	3,034	(1,052)
Repairs and maintenance	10,000	1,174	8,826
Supplies	7,500	6,581	919
Special events	150	-	150
Historical Society	1,000	1,155	(155)
Dues	1,000	140	860
Small equipment purchase	500	-	500
Repairs and maintenance - vehicles	2,000	2,036	(36)
Postage	150	1	149
	<u>\$ 59,284</u>	<u>\$ 60,895</u>	<u>\$ (1,611)</u>
Capital Outlay			
Community Center	\$ 7,000	\$ 3,966	\$ 3,034
Recreation	<u>6,500</u>	<u>-</u>	<u>6,500</u>
	<u>\$ 13,500</u>	<u>\$ 3,966</u>	<u>\$ 9,534</u>
Total cultural and recreation	<u>\$ 248,603</u>	<u>\$ 229,309</u>	<u>\$ 19,294</u>
COMMUNITY DEVELOPMENT			
Economic development	\$ 10,000	\$ 3,678	\$ 6,322
Creekside Park	<u>-</u>	<u>10,212</u>	<u>(10,212)</u>
Total community development	<u>\$ 10,000</u>	<u>\$ 13,890</u>	<u>\$ (3,890)</u>
DEBT SERVICE			
Kite Charitable Remainder Trust principal	\$ 18,000	\$ 18,003	\$ (3)
Kite Charitable Remainder Trust interest	15,050	18,809	(3,759)
Kite Charitable Remainder Trust estimated future payments - revaluation	17,000	17,420	(420)
General obligation bond principal	100,000	100,000	-
General obligation bond interest	51,300	51,300	-
Community Center loan principal	100,000	59,116	40,884
Community Center loan interest	125,000	70,967	54,033
Hiram Kite property payment	40,203	40,203	-
Public works auto loan principal	<u>-</u>	<u>9,149</u>	<u>(9,149)</u>
Total debt service	<u>\$ 466,553</u>	<u>\$ 384,967</u>	<u>\$ 81,586</u>
Total expenditures	<u>\$ 2,377,660</u>	<u>\$ 2,226,095</u>	<u>\$ 151,565</u>

TOWN OF ELKTON, VIRGINIA

ELECTRIC FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS-
BUDGET AND ACTUAL
Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Charges for services	\$ 1,995,000	\$ 1,717,687	\$ (277,313)
Late charges and interest	35,000	35,323	323
Local consumption tax	6,000	5,852	(148)
Connection fees	15,000	3,600	(11,400)
Reconnect fees	5,000	5,475	475
Service charges	6,000	5,638	(362)
Total operating revenues	<u>\$ 2,062,000</u>	<u>\$ 1,773,575</u>	<u>\$ (288,425)</u>
OPERATING EXPENSES			
Salaries and wages	\$ 72,637	\$ 64,196	\$ 8,441
Employee benefits	18,998	18,619	379
Electric power	1,405,000	1,076,505	328,495
Advertising	500	-	500
Professional services	3,500	2,008	1,492
Repairs and maintenance	5,000	52	4,948
Telephone	1,000	732	268
Supplies	10,600	6,093	4,507
Payroll taxes	5,785	4,737	1,048
Vehicle maintenance	12,000	6,402	5,598
Depreciation	-	51,616	(51,616)
Uniforms	1,500	1,905	(405)
Miss Utility	100	-	100
Dues	1,000	1,498	(498)
Fines	-	1,643	(1,643)
Total operating expenses	<u>\$ 1,537,620</u>	<u>\$ 1,236,006</u>	<u>\$ 301,614</u>
Operating income	\$ 524,380	\$ 537,569	\$ 13,189
NONOPERATING REVENUE (EXPENSE)			
Interest expense	(1,000)	(10,697)	(9,697)
Income before transfers	\$ 523,380	\$ 526,872	\$ 3,492
TRANSFERS			
Transfers out	-	(310,803)	(310,803)
Change in net assets	\$ 523,380	\$ 216,069	\$ (307,311)
NET ASSETS AT BEGINNING OF YEAR	<u>233,459</u>	<u>233,459</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 756,839</u>	<u>\$ 449,528</u>	<u>\$ (307,311)</u>

TOWN OF ELKTON, VIRGINIA

WATER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL
Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Charges for services	\$ 280,000	\$ 283,412	\$ 3,412
Connection fees	120,000	32,400	(87,600)
Water haulers	60,000	48,533	(11,467)
Reconnect fees	5,000	4,140	(860)
Service charges	2,000	1,233	(767)
Total operating revenues	<u>\$ 467,000</u>	<u>\$ 369,718</u>	<u>\$ (97,282)</u>
OPERATING EXPENSES			
Salaries and wages	\$ 69,951	\$ 107,832	\$ (37,881)
Contract labor	500	450	50
Employee benefits	21,675	23,500	(1,825)
Advertising	500	-	500
Professional services	40,000	34,738	5,262
Repairs and maintenance	5,000	1,720	3,280
Telephone	1,500	1,209	291
Supplies	3,000	26,144	(23,144)
Small equipment	-	481	(481)
Payroll taxes	7,183	8,275	(1,092)
Vehicle maintenance and generator fuel	6,000	25,675	(19,675)
Depreciation	-	75,344	(75,344)
Bond issuance costs	-	1,018	(1,018)
Miss Utility	200	110	90
Dues	2,000	2,703	(703)
Permit fees	2,000	-	2,000
Uniforms	1,500	1,637	(137)
Water testing	-	32,952	(32,952)
Total operating expenses	<u>\$ 161,009</u>	<u>\$ 343,788</u>	<u>\$ (182,779)</u>
Operating income	\$ 305,991	\$ 25,930	\$ (280,061)
NONOPERATING REVENUE (EXPENSE)			
Interest expense	(25,000)	(29,187)	(4,187)
Income (loss) before transfers	\$ 280,991	\$ (3,257)	\$ (284,248)
TRANSFERS			
Transfers in	-	59,978	59,978
Change in net assets	\$ 280,991	\$ 56,721	\$ (224,270)
NET ASSETS AT BEGINNING OF YEAR	<u>1,053,626</u>	<u>1,053,626</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,334,617</u>	<u>\$ 1,110,347</u>	<u>\$ (224,270)</u>

TOWN OF ELKTON, VIRGINIA

SEWER FUND
STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN NET ASSETS-BUDGET AND ACTUAL
Year Ended June 30, 2010

	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
OPERATING REVENUES			
Charges for services	\$ 495,000	\$ 451,040	\$ (43,960)
Connection fees	<u>135,000</u>	<u>40,600</u>	<u>(94,400)</u>
Total operating revenues	<u>\$ 630,000</u>	<u>\$ 491,640</u>	<u>\$ (138,360)</u>
OPERATING EXPENSES			
Salaries and wages	\$ 85,451	\$ 175,214	\$ (89,763)
Contract labor	5,000	65,967	(60,967)
Employee benefits	31,515	32,099	(584)
Insurance	2,000	1,793	207
Advertising	1,000	1,922	(922)
Landfill	-	34,535	(34,535)
Permit fees	-	2,100	(2,100)
Professional services	157,200	54,157	103,043
Repairs and maintenance	12,000	2,709	9,291
Telephone	1,300	1,306	(6)
Supplies	3,700	49,173	(45,473)
Equipment rental	76,804	-	76,804
Small equipment	500	1,593	(1,093)
Payroll taxes	12,559	13,218	(659)
Vehicle maintenance	6,000	3,497	2,503
Depreciation	-	84,768	(84,768)
Bond issuance costs	-	1,018	(1,018)
Uniforms	1,500	1,029	471
Miss Utility	200	71	129
Dues	<u>5,000</u>	<u>4,430</u>	<u>570</u>
Total operating expenses	<u>\$ 401,729</u>	<u>\$ 530,599</u>	<u>\$ (128,870)</u>
Operating income (loss)	<u>\$ 228,271</u>	<u>\$ (38,959)</u>	<u>\$ (267,230)</u>
NONOPERATING REVENUE (EXPENSE)			
Interest expense	\$ (80,557)	\$ (39,620)	\$ 40,937
Loss on disposal of assets	<u>-</u>	<u>(75,323)</u>	<u>(75,323)</u>
Total nonoperating revenue (expense)	<u>\$ (80,557)</u>	<u>\$ (114,943)</u>	<u>\$ (34,386)</u>
Income (loss) before transfers	<u>\$ 147,714</u>	<u>\$ (153,902)</u>	<u>\$ (301,616)</u>
TRANSFERS			
Transfers out	<u>-</u>	<u>(152,107)</u>	<u>(152,107)</u>
Change in net assets	<u>\$ 147,714</u>	<u>\$ (306,009)</u>	<u>\$ (453,723)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>1,097,384</u>	<u>1,097,384</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,245,098</u>	<u>\$ 791,375</u>	<u>\$ (453,723)</u>

TOWN OF ELKTON, VIRGINIA
SCHEDULE OF CAPITAL ADDITIONS
Year Ended June 30, 2010

GENERAL FUND

West Summit Avenue - paving	\$ 41,098
John Deere 310 G backhoe with bucket	39,450
C & S Diner lot - paving	5,838
Uneven bars	3,966
Custom door - Treasurer's Office	2,367
Barcode scanner with printer	<u>1,410</u>

Total general fund \$ 94,129

ELECTRIC FUND

Concrete pad	<u>\$ 3,536</u>
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Total electric fund \$ 3,536

WATER FUND

Elkwood well project	\$ 105,836
Software upgrade	<u>4,000</u>

Total water fund \$ 109,836

SEWER FUND

WWTP improvements	\$ 55,636
Electrical update	41,399
Sludge collection system	31,001
Stuart Avenue sewer line replacement	5,255
Wirt Avenue sewer line replacement	1,736
Smoke blower	<u>1,694</u>

Total sewer fund \$ 136,721

CEMETERY FUND

Land - 10.044 acres	<u>\$ 334,221</u>
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Total cemetery fund \$ 334,221